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INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

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ID reveals the secrets of compensation

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STAFDA
MEMBER

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ID unlocks the secrets of distribution salaries.—p. 45

The crowning touch in a family-owned business is to have the right successor.—p. 61

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Vol 80, No. 15

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

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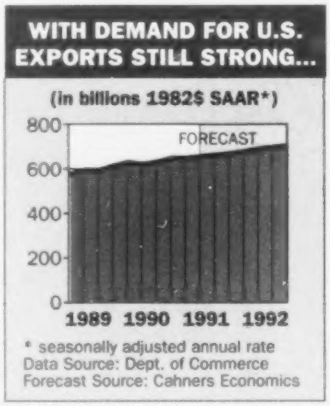
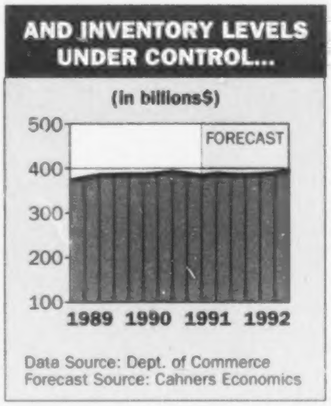
Manufacturing can't do it all

Distributors say consumers are the key to a strong recovery.



* seasonally adjusted annual rate
Data Source: Dept. of Commerce
Forecast Source: Cahners Economics



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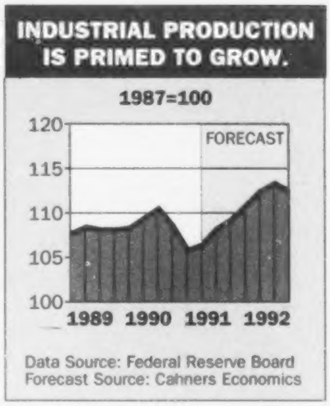
Forecast Source: Cahners Economics



Data Source: Federal Reserve Board
Forecast Source: Cahners Economics

Industrial distributors and manufacturers should be proud. According to numerous newspaper and television reports, economists point to manufacturing as the one bright spot in an otherwise dreary economic picture.

And it's true. As of early October, factory production climbed for the fifth straight month, providing three-fourths of the economy's 110,000 job gains since the spring, and more than one-third of the rise in private wage income since March.

"There's no question that manufacturing is leading the country out of recession," says Susan Farris, an economist at Cahners Economics. "But the real strength of this recovery will depend on the performance of the consumer sector."

Farris points to a number of factors that could block a strong recovery. For starters, instead of spending money on new cars, houses and appliances, consumers are paying off historically high debts. This, coupled with the junk bond excesses of the 1980s slow down business investment. Other forces which threaten recovery include massive budget deficits at all levels of government, the credit crunch and fallout from the savings and loan scandal.

But despite these obstacles, manufacturing has stayed strong. Why? According to Gordon Richards, a staff economist at the Nat'l Assn. of Manufacturers (NAM), the main reason is because the weak dollar continues to make U.S. products competitive overseas (see charts).

In addition, technology, and more efficient inventory control methods reduced the need for large scale inventory liquidation during the recession. This helped in two ways. First, it kept the manufacturing sector pumping at a time when retrench-

See Manufacturing p. 12

Cahners CEO Ronald Segel dies after bout with cancer

NEWTON, MASS. Ronald Segel, chairman and CEO of Cahners Publishing Co., and deputy chief executive of Cahners' parent company, Reed International PLC, died last August after a year-long bout with cancer. He was 56.

During Segel's 20-year career with Cahners Publishing, the business grew from a trade magazine firm with annual revenues of $50 million to the strongest link in a $1.3 billion world-wide communications company.

"Ron Segel's fingerprints can be found on every element of our growth," said Terrence M. McDermott, the company's president. "All of us at Cahners will miss him."

Under Segel, Cahners became the country's leading publisher of specialized business magazines, as well as a growing force in consumer publishing and trade shows. The company's 84 titles cover almost every field of endeavor, from computers, medicine and book publishing, to manufacturing, construction and retailing.

It was during Segel's tenure as the company's president and chief operating officer that Cahners purchased Technical Publishing, a move that brought *Industrial Distribution* into the Cahners family.

Segel, a Boston native, was a graduate of Harvard University and Harvard Business School. ID

Vermont American forms Primark Group

LOUISVILLE—In response to distributor requests for a single product source, Vermont American consolidated its three industrial tool operations to form Primark Tool Group. The company will launch the new venture at the Specialty Tools and Fasteners Distributors Assn. (STAFDA) convention in Nashville this month.

See Vermont p. 12

Manufacturing from p. 11

ment is the norm. And second, with inventories low and under control, any increase in demand spells good news for factories.

What do our people think?

Industrial distributors and manufacturers are generally upbeat about prospects for 1992. Many reported strong sales in the late summer and early fall, as well as a general sense that the recession had bottomed out. But they also wonder when consumer spending will turn around.

"I don't care what they say about the manufacturing sector," says Roy Otto, president of Machine Tool Supply in Eagan, Minn. "Unless consumer spending picks up, any uptick in manufacturing will be shortlived."

Herb Haggard, president of Haggard & Stocking in Indianapolis, Ind., agrees. "Things are very fragile at this point," he says. "While we're looking ahead to a much stronger year, all the optimism could disappear if we go to war again in the Middle East, or something unforeseen happens in Eastern Europe."

The international arena is of particular concern to American manufacturers, many of whom reported strong export activity.

For example, Garo Aznavourian, president of Stanley-Proto Industrial Tools, says his firm's ability to sell product overseas saved the company from an otherwise dreadful sales year. Notes Aznavourian, "Exports have been strong. But they can't make up for the doldrums in the domestic economy. As far as I can tell, manufacturers who concentrate specifically on the domestic market are really hurting."

With experts predicting a stronger 1992, what are the key markets for industrial manufacturers and distributors to consider?

According to Cahners' *U.S. Economic Outlook*, machinery output rebounded a bit earlier in this expansion, a signal that the recovery will reach full growth in the fourth quarter of '91. In addition, durable goods orders vacillated in the past five months, a sign that the OEM sector is at a turning point.

Notes Cahners, "The manufacturing expansion may be a bit stronger than previously thought because capacity use had been high relative to past recessions. Expect capital spending to exceed a 5% annual rate by mid-1992.—*By Steve Zurier*

Vermont from p. 11

Ralph Cox, Primark's president and general manager, said the new company consists of Magna Professional Tools, a major supplier of circular saw blades and hammer bits to contractors; DML, a producer of saw blades and specialty cutters for the woodworking industry; and Magna Industrial Tools, which services industrial accounts with insert and power screwdriver bits.

According to Cox, Primark's plan is to create a system in which distributors can place one order, receive one shipment and pay one invoice, as well as order product from any division. In the past, the three divisions operated as separate entities with three separate bureaucracies. But under Primark, distributors can order product over the telephone from one salesperson at the company's central warehouse.

"With the advent of the price clubs and the down economy, the business changed," Cox said. "In order to survive, the STAFDA houses are going after the industrial business and the mill supply firms are pursuing the construction market. Forming Primark puts us in the position to service that shift."

> 'Distributors won't find our products on the shelves at the price clubs or discount houses.'—Cox

Cox said another advantage of the new system is that it allows distributors to qualify for pre-paid freight and more favorable pricing. He said Primark is dedicated to providing both a 95% fill rate and 48-hour turnaround on stock items.

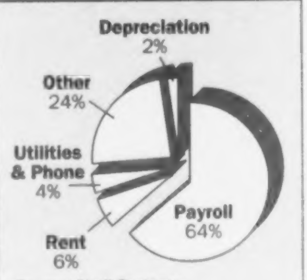
"Distributors won't find our products on the shelves at the price clubs or discount houses," Cox said. "Forming Primark demonstrates our dedication to servicing the professional industrial, construction and woodworking markets."

Consultant advises creative cost cutting

SOMERDALE, N.J.—A recent survey of 62 members of the Nat'l Fastener Distributors Assn. (NFDA) found that payroll is a whopping 64% of a distributor's operating costs.

Based on this information, consultant Albert Bates, who conducted the Productivity and Financial Targeting (PROFIT) study for NFDA, says distributors must find creative ways to reduce overhead.

WHERE DOES YOUR MONEY GO?



Source: Nat'l Fastener Distributors Assn.

Bates says distributors should improve their scheduling, use incentive compensation when possible, tie salary increases to performance, and encourage employees to monitor expenses on an ongoing basis.

Other key expenses reported by Bates include rent at 6%; utilities and phone, 4%; depreciation, 2%; and other, 24% (see chart). According to the study, payroll refers to salaries, commission, wages, bonuses, payroll taxes, and employee benefits.

Bates points out that the aim of the study is to help distributors understand the factors that cause profits to sag, and provide them with tools to improve their respective profit pictures.

The study also points out that if an industrial distributor expects to improve his return on investment, he needs to devise a specific plan. Bates' strategy involves the following:

- Develop a profit target. As a general rule, the typical distributor should plan on trying to increase his return on investment somewhere between 2.5 and 5.0 percentage points each year.
- Identify the areas of the company where weaknesses exist. Each of these sore spots should be reviewed thoroughly and individual targets established.

See Consultant p. 14

Consultant from p. 12

- Monitor results monthly. It is not enough just to set goals and objectives. These objectives must be reviewed on a monthly basis to insure that the distributorship is staying on target.

For more information on the study, contact NFDA at (609) 627-4333.

The study is available free to participants, costs $150 for members who did not participate and sells for $250 to non-members.

Baldor, NEMA, fight motor standards

FORT SMITH, ARK.—Baldor Electric, the Nat'l Electrical Manufacturers Assn. (NEMA), and other leading motor manufacturers are fighting a move by Congress to establish standards for motors.

The bill, which is being sponsored by Congressman Edward Markey (D-Mass.), would require all motors up to 250 hp to contain premium efficiency designs within 18 months of the bill's enactment.

According to Ted Atkins, Baldor's executive vice president of marketing and sales, while requiring so-called "super efficient" motors on all applications is well intentioned, it may cause more harm than anticipated.

Notes Atkins, "Motors should be specified based on the application. I'm all in favor of using super efficient motors in a continuous application. But in a non-continuous environment like a milling machine, the super efficient motors don't have the reserve torque to do the job. If this bill goes through, specifiers will find themselves using more energy, because more powerful motors are required."

Dan Shipp, NEMA's vice president for government affairs, says the industry is concerned that the motor legislation will be tacked on to the House version of a broader energy bill. In addition, while the Senate version of the energy bill does not currently contain regulations on motors, NEMA says there will be a great deal of pressure to place identical language in both bills. Why? To avoid a conference battle on the broader energy bill, which includes critical national issues such as fuel efficiency standards and oil drilling in Alaska.

To date, both Baldor, NEMA and other leading motor companies were lobbying Markey's office to consider a compromise. The industry thinks Congress should:

- Adopt the energy efficiency standards as published by NEMA.
- Empower the Secretary of Energy to exempt a motor if he determines that the product would not save energy.
- Have the Dept. of Energy (DOE) use NEMA standards for testing and labeling.
- Require DOE to set up a third party certification program to ensure compliance with testing and labeling rules.

Will NEMA's proposals be heard? Markey spokesperson David Nemtzow says they will. "We are taking a hard look at the industry's proposals," he says. "It is our hope that through these good faith efforts, we can meet the dual goal of maximum energy savings at minimum disruption."

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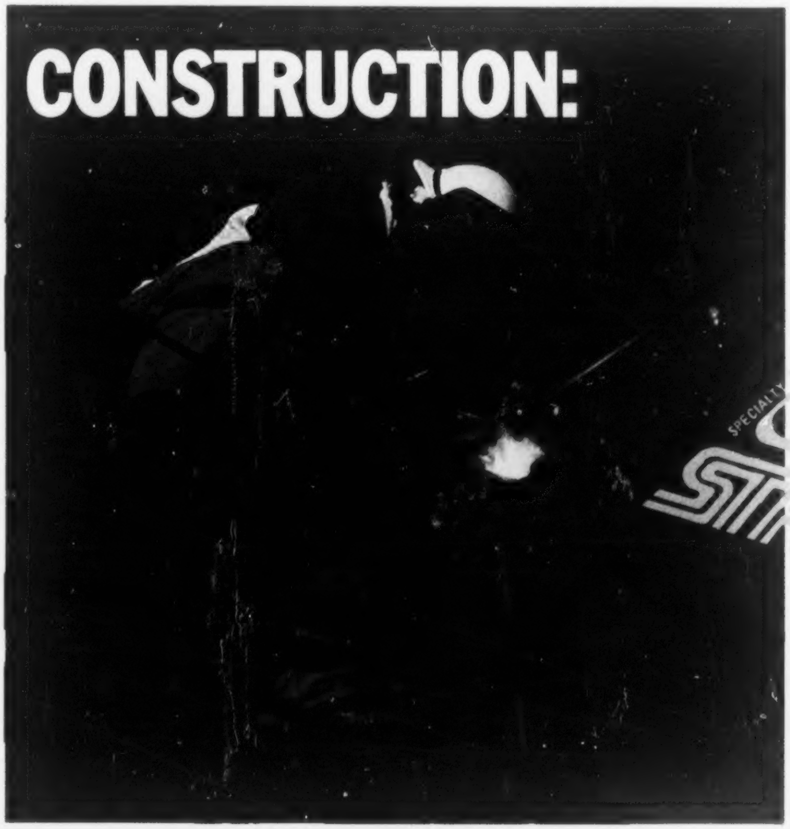

The Stock Market

Crash or Comeback?

Still reeling from the building glut and the credit catastrophe, construction shows meager—but encouraging—signs of recovery.

By Christine Forbes, Associate Editor

The signs are tenuous. There's no doubt about it. But, they are there. The seemingly endless down cycle that has plagued the construction industry for nearly five years is finally showing gradual signs of ascension. Hallelujah!

Sing words of praise. Breathe a sigh of relief. But, whatever you do, don't go on an ordering binge. While residential construction spending figures indicate a marginally improved climate, the revival is happening at the pace of an unhurried struggle. In the words of Daryl Delano, senior economist specializing in the construction industry for Cahners Economics in Newton, Mass., "Recovery is a slow, slow process."

Laborious though it may be, it appears to be happening. According to Delano, residential construction spending serves as the most noteworthy indicator of construction's future—particularly the commercial sector. "Historically, the residential sector leads recovery in the nonresidential arena," says Delano. "And, we've witnessed a gradual increase in residential construction spending since the spring. In fact, it's picked up every single month since then."

Delano explains that the strong link between the two sectors leads economists to believe that a recovery on the commercial side is around the corner. Just how far around the corner? "That's hard to say," responds Delano. "Commercial spending is still declining—but we anticipate that it will level off and then escalate somewhat, probably by early 1993."

Terry Cole, director of sales and marketing at Magna Industrial in Elizabethtown, Ky., mirrors those sentiments. "We're not looking for a quick recovery by any means," he says. "It will be slow. We anticipate a 3 to 5% increase probably coming at the end of 1992." At Magna in particular, sales have already begun to reflect an increase across the board, due to a degree of positive movement on the construction side.

Milwaukee Electric also takes an affirmative stance. Dan Perry, vice president of sales, projects "a continuation of slow to moderate growth in residential construction through the remainder of 1991. However, we are planning for a more significant growth rate beginning in the second quarter and continuing through 1992."

The here and now

So, by many accounts, there is a light at the end of the tunnel. But, is any light filtering through now? In the commercial sector, there is a flicker. Delano reports that the industrial and institutional divisions under the commercial construction umbrella remain steady and strong.

The figures prove it. 1989 spending dollars in the industrial sector were up 23.9% from 1988, and 1990 spending jumped 16.8% over 1989 levels. Delano attributes continued investment and corresponding stability in this arena to a shortage of warehouse space, as well as a growing need for new manufacturing plants. "In order to compete in the overseas market, American manufacturers must upgrade and expand facilities," he says.

Warren Ware, vice president of marketing for Ridge Tool, says sales in the industrial sector are steady and growing stronger daily. "The number of calls for additional orders is the best indicator we have of what's happening in the field," he says. "And, we're getting more and more calls every day from our distributors and salespeople anxious to stock the shelves."

Although Cahners Economics predicts a 0.3% decline in industrial construction in 1991, the group notes that this sector is clearly the healthiest within the non-residential market. "The industrial numbers are sliding a bit, but they certainly won't reach the depths of the overall commercial market," reports Delano.

Dan Foshee, vice president of sales for Klein Tools, Inc. in Chicago, has begun to notice the leveling off of industrial sales at Klein. However, he explains, "Industrial construction has typically been the biggest positive in our business. When plant expansion and upgrading were big, we experienced several months of gains."

It's an institution

Like the industrial sector, institutional construction continues to shine as a bright spot in the commercial arena, according to Delano. "Institutional construction (encompassing both municipalities and infrastructures) is the most stable, recession resistant sector, mostly because of the nature of the projects," he says.

The reasons for optimism are clear. First, institutional projects are funded by federal, local, and state governments, not credit-wary banks. Second, the jobs are typically long-term contracts that were funded years earlier, thus remaining unaffected by the recession. Third, wear and tear on public buildings and infrastructures over time absolutely necessitates the new and improved systems. And finally, the national demographics, such as inter-regional migration and aging baby-boomers which prompt such funding, require additional hospitals, schools, courthouses and prisons.

Cahners Economics projects a 6% increase in institutional spending in 1991. Although this is down from the 13.8% expansion in 1990, it is a profound growth area. And, adds Delano, "It may have been even more significant if it weren't for the nationwide budget cuts."

Remodeling rebound

The industrial and institutional sectors aren't the only positive points in the overall construction picture. According to Tracy Bilbrough, director of marketing, I/C & Professional Power Tools, Black & Decker U.S. Power Tools Group, still more light glimmers in the remodeling arena—both residentially and commercially.

CONSTRUCTION SPENDING

(Billions of Current $)

	Actual	Forecast			Annual % Change			
	1990	1991	1992	1993	'90/'89	'91/'90	'92/'91	'93/'92
Total	376.9	358.9	387.2	406.7	+0.6	−4.8	+7.9	+5.0
Res.	129.9	118.6	140.2	148.9	−6.7	−8.7	+18.2	+6.2
Nonres.	147.7	141.0	142.5	151.0	+3.6	−4.5	+1.1	+6.0
Nonbldg.	99.4	99.3	104.5	106.8	+6.9	−0.1	+5.2	+2.2

Construction figures exclude improvements to existing buildings.
Source: U.S. Commerce Department, Forecast: Cahners Economics

"On the residential side, the median age of a house today is more than 18 years old," Bilbrough explains. "With the settling in of the baby boom generation, this translates into a lot of activity in remodeled kitchens, upgraded rooms, additions, and decks." This is further bolstered by the banking crisis. As institutions pull tighter on the loan reins, remodeling becomes the viable alternative to moving.

Commercially, the building surplus cloud has a sterling silver lining as well. Because of the overabundance of commercial and retail buildings and high vacancy rates, extraordinary competition exists for new tenants. As a result, available commercial and retail space is being upgraded to make it more attractive to potential clients. "Owners are not only improving the exterior and interior look of the space, they are also making mechanical, HVAC and structural improvements to bring in new tenants," notes Bilbrough.

Hot spots

While nationwide trends serve as strong indications of construction's future, regional patterns often shed even more light, particularly for those who live and work in that region. According to Cahners Economics, regional hot spots are pinpointed by building permits acquired months before the actual construction takes place.

Delano highlights cities within the mountain states as well as areas boasting diverse economic bases as the most likely to show promise. Washington, D.C., Los Angeles and Houston rank one, two and three on the list of strong areas for 1992 in the new non-residential construction industry based on permits.

John Tabellione, vice president of marketing and sales for The Irwin Company in Wilmington, Ohio, already sees positive movement in these areas. "The mountain states as well as Houston and Southern California have been relatively strong across the board for us," he says. All three of these areas draw from diverse markets.

"It's typical of the regional ebbs and flows," says Delano. "Five years ago, New England was hot and the gulf region and mountain states were suffering. Today, it's just the opposite." Foshee reports that Texas and Louisiana, both recently devastated regions, show measurable improvement and stability for Klein Tools. "They have nowhere to go but up," Foshee notes.

The two areas which show consistent promise for construction are Florida and California because of constant inter-regional migration. Accordingly, Cahners predicts a 26.7% jump in construction spending in Naples, Fla., and a 27.3% hike in Bakersfield, Calif.

CONSTRUCTION

Cold spots

We know what's hot. But, what's not? Paul Sloan of Boston Cartridge Tool Co. Inc. in Newtonville, Mass., can answer that question in a heartbeat: New England. "If you took a bathtub that was filled to the rim and emptied it, what would be left?" he asks. "The answer is nothing, and that's pretty close to what we're experiencing in the Boston area right now."

The recession has played havoc on almost every business in nearly every region. New England is the extreme case. Many companies in the area are going out of business or hanging on by a thread. Boston Cartridge is an exception. "We're surviving by getting better at what we do best," Sloan candidly relates. He credits such wild cards as price crunching and extended payment schedules for the dilemma.

Despite these challenges, however, Sloan says that Boston Cartridge keeps its head above water by employing some unique tactics. "We've shifted our lines a bit and modified our market emphasis to capitalize on the types of customers who are working," he says. "We're looking at contractors we didn't look at before—from those who compete for big infrastructure projects to the small-time remodeling contractors." Although the company's line is changing—it's not expanding. Sloan points out that their product line has been refined toward specific construction activities. "We provide leading technology and specialized service," he contends. "We're not going after the guy who's looking for a blue light special."

BE AGGRESSIVE

Whether the economic turnaround happens today or tomorrow is anyone's guess. But, one thing is for sure— only the strong will survive.

Ridge Tool is doing just that. Through the recession, the manufacturer has beefed up advertising and promotional efforts designed to expose new products and "put the competitor against the ropes." Ware says, "It's time to be aggressive. The recovery will be slow and we must be patient. But, we're not just sitting back to wait. We're taking advantage of the opportunities!"

So is Makita U.S.A. Inc. Roy Thompson, corporate purchasing manager for the La Mirada, Calif., manufacturer, says, "We're working extra hard for people's business." And it's paying off. Despite the recession, Makita continues to grow.

Dick McCann, president of McCann Construction Specialties in Addison, Ill., adheres to the same upbeat philosophy. "We're working hard to maintain our margins and keep our expenses down, but we've also increased our ad budget, added four new outside sales people, and we continue to spend a great deal of time and money on education and training," he says. This is all designed to combat what he would estimate as a 20 to 35% drop in construction spending since December 1990 in the greater Chicago area. "We see the recession as an excellent time and opportunity for us to increase our market share," he adds. "Like all downturns, this too will pass. And, when it does—we'll be there to reap the benefits." ID

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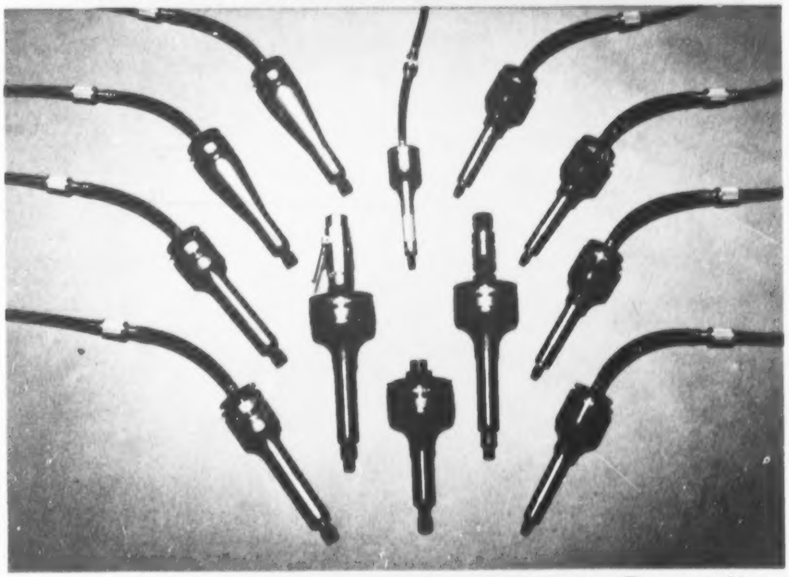

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SALARY SURVEY:

The secret's out

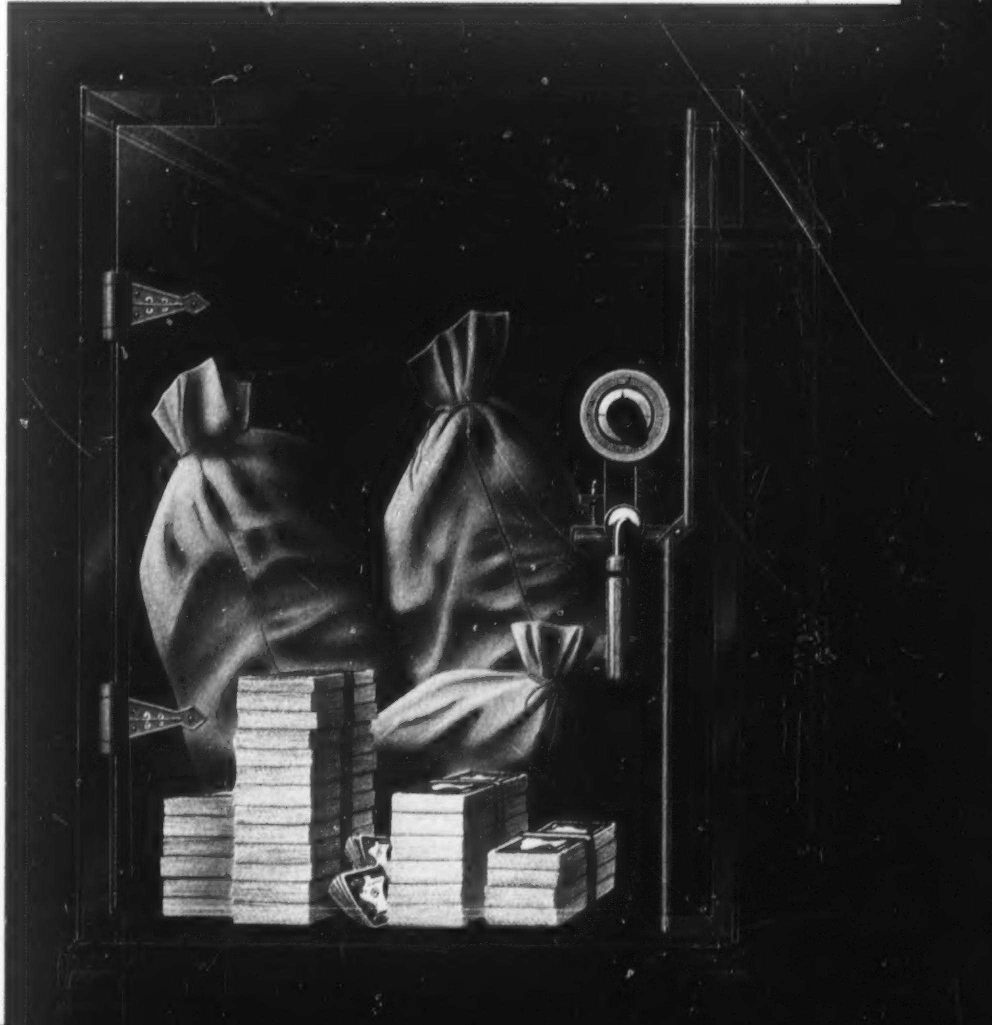
ID reveals clear-cut salary trends for 1990 in our fourth annual salary survey.

By Christine Forbes, Associate Editor

How much do you make? Whether it's high, low, or in between, chances are your salary is one of the best kept secrets you have. According to Andrew Zuckerman, national coordinator of employee benefits specialist for Grant Thornton Accountants and Management Consultants in Washington, D.C., keeping individual salaries a secret is a question of ethics. "It's a standard code of conduct," Zuckerman says.

Well. The secret's out. No need to grill your boss or your associates for details on the weekly paycheck. ID's Fourth Annual Salary Survey delves into the secret of industry-wide salaries. And it takes out of safe-keeping the trends that shape your income—whether you're a CEO or an inside salesperson. We uncover everything from regional compensation and compensation by experience to the benefits that are received and those that are desired. And it's all based upon the information you provided.

You'll find analyses of this year's data as well as affinity to the figures of last year. However, it's important to remember that the uncontrolled nature of the study—which brings in different types and numbers of respondents every year—precludes pure comparison. Nevertheless, you will find that certain conclusions about industry compensation trends clearly emerge.



Tom Szumowski

SALARY SURVEY

Compensation's regional wrap-up

Welcome to America—the land of opportunity. But, don't forget that in America the opportunity—and how much it pays—is different from one region to the next.

And so it goes in distribution. A position in the deep South won't win you the same compensation as a similar job in the heart of metropolitan San Francisco. Everything from the cost of living in a particular area to the cost of labor for the end user impacts the "going rate" in distribution and other industries. Not surprisingly, our figures reflect that.

The highest salary average originates from the West at $70,000, while the lowest average is reported in the South at $63,000. With some exceptions, these findings are in line with what we might anticipate, knowing what we do about the dynamics of the regions.

It's important to note that comparison to last year's averages is difficult simply because our regional breakdown differs sharply this year. Whereas previously we had nine smaller regional groupings including East South Central and Middle Atlantic, this year the regions are broken into larger, more straight-forward sections. Instead of nine, you will find four regions: Mid-West, West, East, and South.

If you recall last year's averages, you are undoubtedly surprised by the significant jump this year. With average reported salaries in the $60,000 to $70,000 range this year, the numbers are substantially greater than the average salaries of approximately $35,000 to $45,000 published in 1990.

The reason for this is simple. The broader base of respondents afforded by separating the regions into larger groups gives us a sounder statistical base. Whereas last year the averages were highly susceptible to fluctuation imposed by extremes, this year they are not.

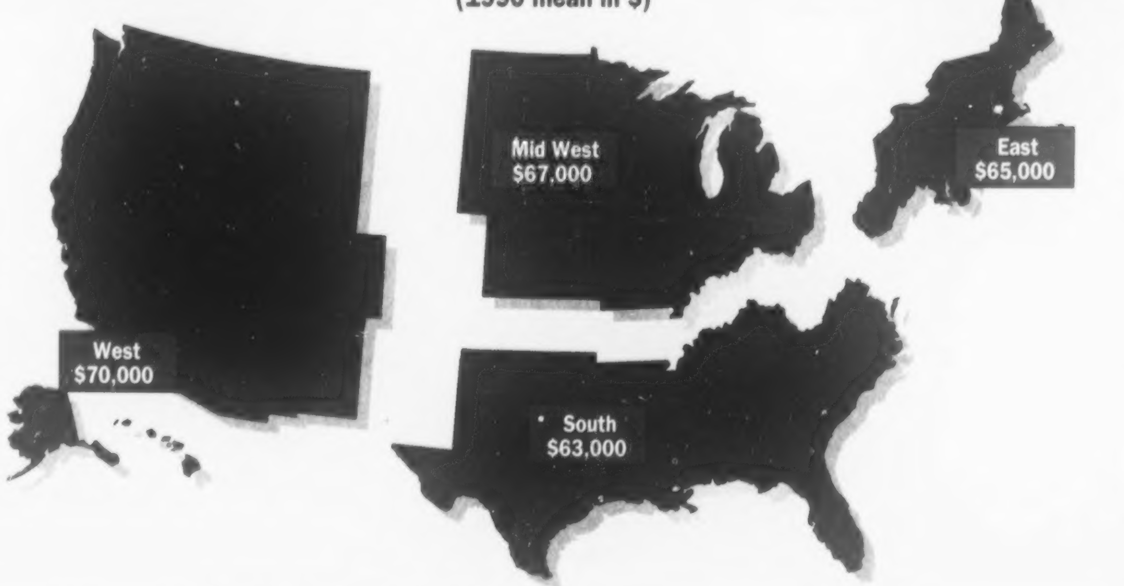
Take the New England region for example. If there was a lack of respondents in this category, one person who reported an extremely high salary could almost single-handedly offset the average. However, because New England is now part of a bigger region with more respondents—the East—the person reporting the extreme salary merely blends into the background. In effect, his response is counteracted by associates from other states who report either average salaries, or salaries which fall to the opposite extreme.

Despite the variations of format, however, we can draw some conclusions from the information. One such deduction comes from the Mid-West. Ringing in at $67,000, this region boasts salaries $2,000 higher than the characteristically high-paying Eastern region. While this is clearly good news for Mid-Westerners, it only serves to rain harder on the East's parade. It appears the recession, which has clearly hit the East the hardest, is reflected in many different veins.

The South, on the other hand, shows some fairly consistent performance in light of the recession. This region, which encompasses states from Florida to Kentucky, maintains a pay scale that is generally lower than the rest of the nation. This year's survey reflects this.

WHICH REGION PAYS BEST?

(1990 mean in $)



REGIONAL COMPENSATION BY JOB TITLE

(1990 % in dollars)

Title	East	CEO/Pres.	VP/ Treasurer/ Sec.	VP/Sales/ General Manager	Branch Manager	Outside Sales	Inside Sales	Other
Less than $30,000	17.3%	7%	0	0	33%	6%	65%	21%
$30,000 to $39,999	19.9%	3%	15%	5%	0	41%	15%	39%
$40,000 to $49,999	21.7%	13%	31%	25%	25%	28%	20%	18%
$50,000 to $69,999	19.9%	16%	15%	40%	33%	19%	0	21%
$70,000 and over	21.2%	61%	38%	30%	8%	6%	0	0

REGIONAL COMPENSATION BY JOB TITLE

(1990 % in dollars)

Title	South	CEO/Pres.	VP/ Treasurer/ Sec.	VP/Sales/ General Manager	Branch Manager	Outside Sales	Inside Sales	Other
Less than $30,000	29.3%	0	29%	4%	12%	24%	87%	45%
$30,000 to $39,999	14.0%	7%	0	12%	16%	32%	7%	11%
$40,000 to $49,999	15.7%	3%	29%	28%	32%	15%	3%	15%
$50,000 to $69,999	18.5%	28%	0	36%	24%	15%	0	15%
$70,000 and over	22.5%	62%	43%	20%	16%	15%	3%	15%

REGIONAL COMPENSATION BY JOB TITLE

(1990 % in dollars)

Title	Mid-West	CEO/Pres.	VP/ Treasurer/ Sec.	VP/Sales/ General Manager	Branch Manager	Outside Sales	Inside Sales	Other
Less than $30,000	23.6%	4%	10%	3%	13%	12%	81%	39%
$30,000 to $39,999	21.8%	7%	20%	20%	38%	37%	14%	19%
$40,000 to $49,999	11.6%	2%	10%	10%	28%	14%	0	23%
$50,000 to $69,999	18.7%	15%	30%	37%	19%	23%	6%	12%
$70,000 and over	24.3%	72%	30%	3%	14%	0	8%	0

REGIONAL COMPENSATION BY JOB TITLE

(1990 % in dollars)

Title	West	CEO/Pres.	VP/ Treasurer/ Sec.	VP/Sales/ General Manager	Branch Manager	Outside Sales	Inside Sales	Other
Less than $30,000	18.4%	9%	0	0	8%	17%	59%	31%
$30,000 to 39,999	20.2%	4%	0	8%	28%	39%	29%	15%
$40,000 to 49,999	20.2%	9%	20%	31%	28%	22%	12%	23%
$50,000 to $69,999	14.9%	17%	40%	23%	20%	11%	0	8%
$70,000 and over	26.3%	61%	40%	30%	16%	11%	0	23%

Source: Industrial Distribution

SALARY SURVEY

Super sales = super salary

Specialty houses may be the way to go in search of more money. But, as long as you're leaving, you might want to try a large one. Our study shows that individual salaries increase as companies grow in size. Knowing that larger houses generally boast higher sales and often greater cash flow, it's understandable.

Interestingly, though, even the highest grossing companies are feeling the pinch of the nation's crippling recession. Our survey indicates that CEOs in companies boasting $20 million or more in sales are making half what they made last year. That's a significant drop, no matter how you look at it.

COMPENSATION BY DISTRIBUTOR SALES SIZE

(dollar volume in millions)

Sales Size	<$1M	$1M-3M	$3M-6M	$6M-10M	$10M-$20M	$20M+
Total	$40,551	$53,054	$51,947	$60,264	$56,705	$52,080
CEO/Pres.	$52,000	$72,000	$90,000	$93,000	$102,000	$115,000
VP/Treas./Sec.	$42,000	$56,000	$44,000	$70,000	$85,000	$97,000
VP/Sales/Gen. Man.	$43,000	$48,000	$53,000	$63,000	$59,000	$66,000
Branch Manager	$28,000	$33,000	$41,000	$50,000	$53,000	$45,000
Outside Sales	$53,000	$43,000	$41,000	$49,000	$50,000	$44,000
Inside Sales	$27,000	$21,000	$24,000	$26,000	$28,000	$30,000
Other	$31,000	$34,000	$42,000	$36,000	$34,000	$48,000

Forget the praise, give me a raise

Bad news. The average salary increase has dropped this year. However, according to Norman Handshear, chairman of the board of the Scottsdale, Ariz.-based American Compensation Assn. (ACA), this is standard nationwide. "If anything, we are seeing a bit of a drop in pay this year because of the recession," he says. Outside sales is a classic example. Reporting a 12% pay increase last year, the group shows only an 8.74% jump this year.

SALARY INCREASE BY JOB TITLE

(% range of last increase)

Range	Avg % increase	9%	10%	11%-15%	16%-20%	21%+
% Receiving increase	8.17	1	15	9	5	5
CEO/Pres.	9.28	2	24	11	8	4
VP/Treas./Sec.	9.73	0	20	9	9	9
VP/Sales/Gen. Man.	8.43	0	15	10	5	4
Branch Man.	8.02	1	13	6	8	5
Outside Sales	8.74	0	15	10	5	9
Inside Sales	6.62	1	5	8	1	2
Other	6.99	1	11	7	0	3

Average Salary Increase: 8.17

So, you think you're special?

Is your weekly paycheck your top priority? If the answer to that question is "yes," you would do well to affiliate yourself with a specialty house. For the second year in a row, survey participants in specialty distributorships report the highest salaries. And, once again, the monetary difference is formidable. Specialty houses pay an average salary of $60,361, while combination houses come in behind at $52,576 and general line brings up the rear at $45,704.

COMPENSATION BY BUSINESS TYPE

(Average salary in dollars)

Business type	Combination House	Specialist	General Line
Average	$45,704	$60,361	$52,576
CEO/Pres.	$76,000	$92,000	$74,000
VP/Treasurer/Sec.	$72,000	$59,000	$67,000
VP/Sales/General Man.	$53,000	$61,000	$66,000
Branch Manager	$47,000	$48,000	$34,000
Outside Sales	$42,000	$50,000	$49,000
Inside Sales	$27,000	$26,000	$32,000
Other	$38,000	$45,000	$33,000

Source: Industrial Distribution

SALARY SURVEY

Your slice of the profit pie

According to Zuckerman, the factors that influence your individual compensation are geographical location, experience and education, level of responsibility and company position, as well as salaries offered by the competition. And, if the human resources department or your boss is figuring it right, you would expect salaries to escalate with each rung of the ladder climbed.

Distribution must be doing it right. Reported salaries rise steadily with each title from the inside salesperson right on up to the CEO. Now, if that doesn't give you something to look forward to, we don't know what does!

As healthy as distribution's overall compensation practices might be, however, it's important to note that the recession has had an impact on the bottom line. The industry-wide average salary of $52,241 is down roughly $7,000 from last year. And, CEOs are reporting a notable $20,000 shrinkage in pay since last year. Evaluating the statistics from the perspective of a down economy—the declines make sense. Companies caught in the throes of a recession must make cuts in order to survive in many cases. And after all, it's typically the top dog who takes the loss in lieu of cutting staff salaries when sales and profits are down.

They're definitely not cutting VP/treasurer salaries. According to our survey, these salaries are on the rise across the board.

COMPENSATION BY JOB TITLE

(1990 average)

Average	**CEO/Pres.**	**VP/Treasurer/Sec.**	**Sales/General Man.**
$52,241	$84,442	$65,479	$58,327
Branch Manager	**Outside Sales**	**Inside Sales**	**Other**
$45,757	$45,019	$27,123	$40,057

Incentives and other motivators

According to Handshear, one of the most significant trends in compensation practice is the evolution of alternative rewards. "Designed to prompt employees to go above and beyond the call of duty, alternative rewards are becoming more and more popular in many industries," he says.

Whether it's attributable to the service nature of the industry or not, distribution seems to be ahead of its time when it comes to alternative rewards. Offering incentives, from company profitability to individual sales volume performance, has been a common practice for distributors across the country for many years.

What's happening this year? Unfortunately, no clear-cut pattern emerges. The percentage of VP/sales personnel receiving company or branch profitability rewards has increased marginally from 38 to 39%. However, the percentage of outside salespeople receiving the same compensation is down a point. And, the inside sales category, which boasted a positive movement toward incentive compensation last year, shows a regression away from that mode. In fact, the table shows that only 14% of inside sales professionals receive company or branch profitability incentives. That's down significantly from 26% who received such compensation last year.

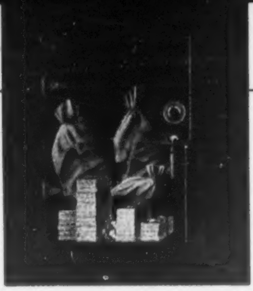
While some might speculate that cutbacks in this form of compensation may be attributed to the economic dive, Zuckerman refutes that theory. "There have been cutbacks in the area of bonuses given to employees at all ranks," he says. "But, as a rule, employers aren't cutting back on incentive programs."

TYPE OF COMPENSATION BY JOB TITLE

(% receiving incentive compensation)

Job Function	Average	CEO/ Pres.	VP/Treas./ Sec.	VP/Sales/ Gen. Man.	Branch Manager	Outside Sales	Inside Sales	Other
Company or branch profitability	34.3	59	58	40	50	8	14	24
No incentive compensation	26.8	21	34	23	16	13	48	42
Company or branch sales volume performance	12.3	8	5	21	26	3	14	12
Individual sales volume performance	11.6	5	0	8	1	34	14	8
Individual performance	10.3	3	3	4	3	40	6	5

Source: Industrial Distribution



SALARY SURVEY

Aging gracefully and gainfully

Compensation and financial considerations are clearly the thrust of this annual survey. However, last year we introduced a feature which doesn't bring into play the almighty dollar. The table below, entitled "How old are you compared to your associates?" gives you an opportunity to gauge where you stand in comparison to your peers. Are you a vice president of sales while other people your age are still outside salesmen? Do you want to move into the branch manager position but feel you lack the maturity? Check the table—you might find that your age and maturity level are right on par with the rest.

These tables reveal some significant themes. First, the average age of all respondents to this year's survey is 43. Ironically, this is one year older than last year's average: 42. Additionally, we found that most CEOs fall into the 55- to 59-year-old grouping. This clearly indicates a pre-requisite of age and the inevitable experience that goes along with it for those who fill the leadership positions. If you're one of the younger respondents—you're off to a smashing start.

Surprisingly, we found that the age drops off significantly for respondents filling VP/treasurer and VP/sales jobs. The table indicates that most VPs fall into the 35 to 39 age group. It may follow then that 10 to 15 years of experience in the second-in-command position is required before one can graduate to the CEO ranks. Of course, there are some respondents in the older and younger categories. Depending where you fall, you could be ahead of your time.

HOW OLD ARE YOU COMPARED TO YOUR ASSOCIATES?

(% in each age group)

Age	Average	CEO/Pres.	VP/Treasurer/Sec.	VP/Sales/General Man.	Branch Man.	Outside Sales	Inside Sales	Other
20-24	1.4	0	0	0	0	0	7	3
25-29	9.0	1	8	4	5	12	20	14
30-34	13.3	4	3	12	14	22	19	16
35-39	16.9	7	29	20	23	16	17	21
40-44	18.1	14	24	17	28	17	18	15
45-49	12.8	16	11	19	12	11	8	11
50-54	10.7	17	8	18	8	9	3	9
60-64	10	8	5	1	1	4	1	0
65-69	2.2	6	3	0	1	1	3	1
70 and over	0.5	2	0	0	0	1	0	0

Average Age: 43

Contemporaries cash in

Studying the age chart above gives you some valuable insights into where you stand in relationship to your contemporaries. But, what you're probably most interested in is how you measure up in terms of compensation—particularly as it relates to your age. That's why we added this new table.

What does it tell us? The highest percentage of respondents who fall into the $70,000+ category are 40 to 44 years old. This is a somewhat surprising discovery because, as noted above, CEOs were most frequently between the ages of 55 to 59. This probably means that the combined lower ranks, including vice presidents, branch managers, and outside salespeople, are being compensated handsomely. As a rule, it seems, distribution pays well. A remarkable 47% of respondents report earning salaries of $70,000 or more—the highest average of all.

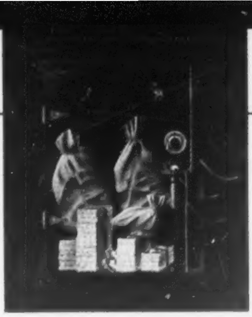
At the low end of both the age and salary scales, our survey indicates that 25% of respondents in the 25 to 29 age group make less than $30,000 per year. A tribute to their young age and comparative lack of experience? Perhaps. But, judging from the high salaries reported in the more mature age segments—there's nowhere to go but up.

HOW MUCH DO YOU MAKE COMPARED TO YOUR PEERS?

(% in each age group)

Age	Less than $30,000	$30,000 to $39,999	40,000 to $49,999	50,000 to $69,999	$70,000 and over
20-24	5	1	0	0	0
25-29	25	10	6	2	2
30-34	19	21	11	15	5
35-39	22	23	16	12	14
40-44	9	18	25	17	24
45-49	7	9	19	17	13
50-54	5	8	10	14	16
50-59	4	5	8	14	17
60-64	3	2	5	6	4
65-69	1	2	0	2	4
70 and over	1	1	0	1	0

Source: Industrial Distribution



SALARY SURVEY

Experience is of the essence

How many years of experience do you have in distribution? Chances are, if you are one of the many veterans in the industry, your longevity and strength of experience is a great source of pride for you. You've lived the business for years—and you know what you're talking about. You are a member of a select group. But, let's face it, you also expect to get paid for it!

At ID, we're pleased to report that this is just what's happening in distribution. According to our survey, the average salary increases steadily in tandem with experience. Those at the top, and those removed from management, are rewarded for their experience accordingly. The CEO category is a good example. With the exception of the first two experience segments, the leader's compensation package is sweetened as his experience is enhanced. And the lower ranks will be encouraged to see that the salary elevates to as high as $80,000 to $90,000 in the lofty experience ranges.

You may note that salaries drop off in the final segment of the table. However, considering that the grouping includes respondents with 36 or more years of experience, it's no wonder! Respondents in this category clearly numbered less than those in the lesser groups. And the reason is clear. How many people do you know who have more than 36 years of experience in distribution?

COMPENSATION BY EXPERIENCE

(average salary by years of distribution experience)

Experience in yrs.	3 or less	4–7	8–15	16–20	21–25	26–30	31–35	36+
Average	$35,481	$37,106	$48,305	$59,316	$62,591	$64,101	$67,747	$64,763
CEO/Pres.	$65,000	$63,000	$85,000	$85,000	$91,000	$93,000	$93,000	$69,000
VP/Treasurer/Sec.	NA	$69,000	$54,000	$97,000	$73,000	$61,000	NA	$55,000
VP/Sales/General Man.	$43,000	$57,000	$56,000	$63,000	$69,000	$58,000	$60,000	$51,000
Branch Manager	$51,000	$32,000	$43,000	$52,000	$49,000	$43,000	$51,000	$55,000
Outside Sales	$44,000	$43,000	$44,000	$51,000	$41,000	$51,000	$51,000	$56,000
Inside Sales	$21,000	$23,000	$27,000	$32,000	$30,000	$30,000	$33,000	$36,000
Other	$33,000	$29,000	$40,000	$45,000	$56,000	$46,000	$57,000	$69,000

NA = Data not available.

Up, up, and away with satisfaction

Satisfaction is an intangible quality. There's no doubt about it. If you're satisfied with your compensation, chances are your reasons are very different from the reasons your associate might have, and vice versa. That's why we didn't ask for rationalization. Regarding satisfaction, all we wanted was a yes or no answer. And that's what we got.

Overwhelmingly, the answer was yes. In fact, nearly every category, across the board, responded positively to the satisfaction question. 92.9% of CEOs; 83.3% of VP/treasurers; and 67.4% of VP/sales reported high levels of satisfaction with their compensation. And, these numbers reflect a significant jump from last year. (As much as 24% higher in the treasurer category.)

In keeping with the high satisfaction results, outlook on the immediate future also remains positive. 49% of CEOs predict a salary increase next year, and their colleagues are optimistic as well. 61% of VP/sales and branch managers and 55.7% of outside salespeople expect an increase this year.

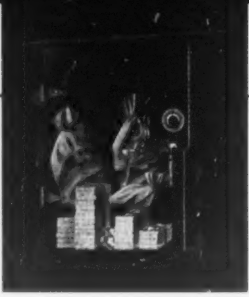
And, in the long term? Optimism reigns supreme for several years to come. Our survey asked: Where do you see yourself in five years? 57% of CEOs indicated a desire to be right where they are now, while 32% thought they would retire. This demonstrates a high degree of satisfaction with not only their salaries, but also their positions in the company. Lower in the ranks, everyone from VP/sales to inside sales reported a desire for "a better job with this company." Considering they had the option to reply with "in another job with a different company," satisfaction is high in distribution.

ARE YOU SATISFIED WITH COMPENSATION?

(% of respondents)

Job Function	Average	CEO/ Pres.	VP/ Trea./ Sec.	VP/ Sales/ Gen. Man.	Branch Man.	Outside Sales	Inside Sales	Other
Yes	64.4	93	83	68	60	66	37	40
No	35.6	7	17	33	40	34	63	60

Source: Industrial Distribution



Benefits: what you want vs. what you get

According to Handshear, benefits fall into two categories, statutory and voluntary. Statutory benefits are those which are required by law, such as unemployment, workers compensation, and Social Security. Voluntary benefits, on the other hand, are provided at the discretion of the employer and may include everything from health insurance to vacation time and pay. However, Zuckerman suggests that many of those benefits which are legally considered voluntary are now being viewed as standard. "It's reached the point where employees expect certain coverages—they no longer perceive them as benefits," he says.

Considering the low numbers on such "standard" benefits as 100% and partially paid health, distribution seems to be lagging behind the nationwide trend. While partially paid health showed a 2.5% increase from last year to 59.5%, 100% paid health dropped from 40.7% to 38.5%. Though small, it is significant.

Zuckerman notes that the decline could be attributable to skyrocketing health care costs and the efforts to contain them. "Health care is becoming extremely expensive—especially for the small guys—so they're cutting back any way they can," says Zuckerman. Although the industry trend may be to drop coverage for employees, it's interesting to note that health care in the CEO category is up measurably from last year's 53 to 65.8% this year.

If it's true what they say—that it's human nature to always want what we don't have—you'll be happy to learn that industry employees are only human. The health care figures are living proof. Knowing that only 38.5% of distributors receive full health benefits, it would follow that the remaining percentage would want this coverage. And it does. Figures reporting what employees want indicate that health insurance is a high priority at 42.5%. Also tops on the list are 100% dental coverage. According to our figures, 48.8% of all respondents want this benefit.

Taking into account your salary and benefits package—from profit sharing to life insurance—how do you measure up?

WHO GETS WHICH BENEFITS?

(% receiving benefits)

	Job function							
	Average	CEO/Pres.	VP/Treas./ /Sec.	VP/Sales/ Gen. Man.	Branch Man.	Outside Sales	Inside Sales	Other
Life Insurance	78.6	81	84	74	84	70	79	83
Partially paid health	59.5	34	45	63	68	68	78	66
Pension plan	45.1	41	53	41	55	44	46	46
Salary investment plan/401k	44.8	29	42	45	59	47	54	46
Profit sharing	44	46	50	36	50	36	50	43
100% paid health	38.5	66	53	33	30	30	22	31
Partially paid dental	35.8	22	24	37	53	39	43	34
Tuition reimbursement	31	28	30	32	43	22	27	41
Employee stock ownership	16.9	11	13	21	21	21	16	17
100% paid dental	13.8	29	13	10	9	11	2	12
Unpaid parental leave	9.3	9	13	6	12	6	13	8
Day care assistance	2.6	3	8	2	0	5	2	2

. . . AND WHO WANTS WHAT

(% wanting benefits)

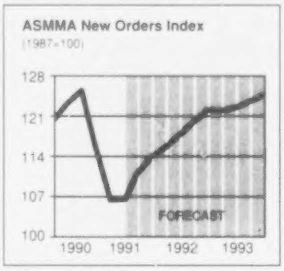
	Job function							
	Average	CEO/Pres.	VP/Treas./ /Sec.	VP/Sales/ Gen. Man.	Branch Man.	Outside Sales	Inside Sales	Other
100% paid dental	48.8	28	36	51	56	47	63	48
100% paid health	42.0	11	36	45	46	50	58	36
Pension plan	34.7	43	21	38	31	33	40	30
Employee stock ownership	33.1	15	36	29	42	34	41	0
Salary investment plan/401k	31.1	31	18	30	25	37	27	40
Profit sharing	25.8	17	11	33	24	30	31	24
Tuition reimbursement	15.2	7	7	13	15	22	21	12
Partially paid dental	14.5	13	14	12	9	13	24	16
Day care assistance	14.3	1	7	8	16	13	30	17
Life Insurance	11.1	9	7	16	11	13	12	7

Source: Industrial Distribution

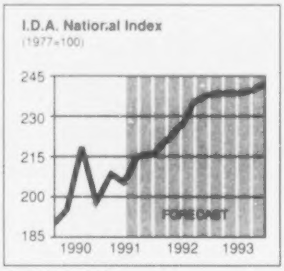
By Susan E. Farris

Capital spending to rise in '92

Despite signs of economic upturn, businesses are cautious about future.



Data source: ASMMA
Forecast source: Cahners Economics



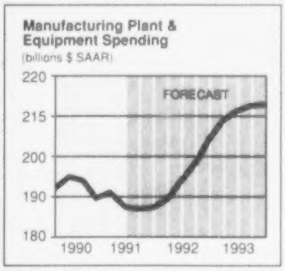
Data source: I.D.A.
Forecast source: Cahners Economics

Capital expenditure in manufacturing continued to decline in the second quarter of 1991. On an annualized basis, spending totaled $187.4 billion, falling 0.3% from the second quarter of 1990. With sufficient available capacity in most manufacturing sectors, spending is projected to remain around this level through the end of the year. As demand picks up in the beginning of 1992, expect capital expenditures to slowly rise to $204.7 billion in the fourth quarter, an increase of 4.4% over the same period in 1991. The outlook calls for manufacturing spending on plant and equipment in 1993 to grow 7.7% on an annual basis.

The ASMMA New Order Index reported two consecutive months of strong increases in new orders, creeping up 1.4% in July alone. This supports the premise that recovery is underway. New orders for manufactured goods grew 6.2% in July, the largest gain since December 1970, with durable goods orders soaring 11.2%.

This strength in new orders bodes well for manufacturing output. Industrial production in August continued to climb, growing 0.3% over July. Excluding the motor vehicle and parts industry where production was cut back 9.3% in August, manufacturing output rose 0.6% from July. While the motor vehicle industry experienced its first decrease in output in five months, production of materials used in the automotive industry actually grew in August. Total industrial production is forecasted to end 1991 at 1.6% below year-ago levels. However, expect to see output shoot up by 4.5% in 1992.

Operating rates in most manufacturing sectors are currently stable enough to meet any demand fluctuations. Total industrial capacity utilization crept up for the fifth consecutive month to 80.0% in August. On the OEM side, capacity utilization rates in August for non-electrical machinery and fabricated metals were at 76.5% and 77.4%, respectively. Process industries' operating rates are currently increasing at a faster rate than the ones for durable equipment, with the exception of the paper industry whose capacity is already 91%. The outlook is for total manufacturing capacity utilization to reach 79.3% by the end of this year and grow to 81.6% for 1992.



Data source: Commerce Department
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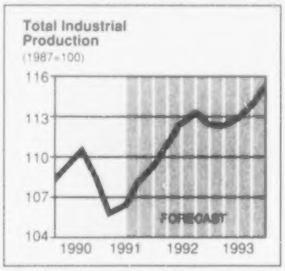

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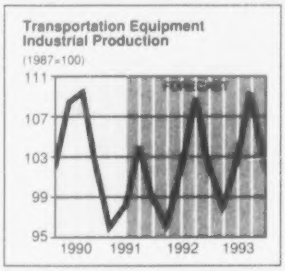

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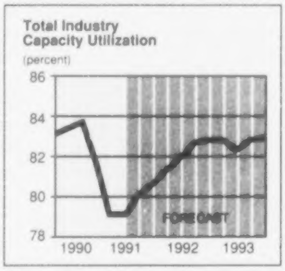

Data source: Federal Reserve Board
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	Aug. 1991	July 1991	Aug. '91 vs Aug. '90 change	Aug. 1991 days	July-Aug. 1991 % change
TOTAL	216.1	213.9	−5.7	51.7	−0.8
EAST	192.5	181.2	+1.6	46.0	−1.4
SOUTH	352.4	360.3	−11.9	65.4	+0.3
CENTRAL	160.5	152.9	−1.7	41.7	−1.6
WEST	217.9	199.2	−6.7	33.5	−1.7

SOURCE: Industrial Distribution Assn.

C1850-4A

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INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

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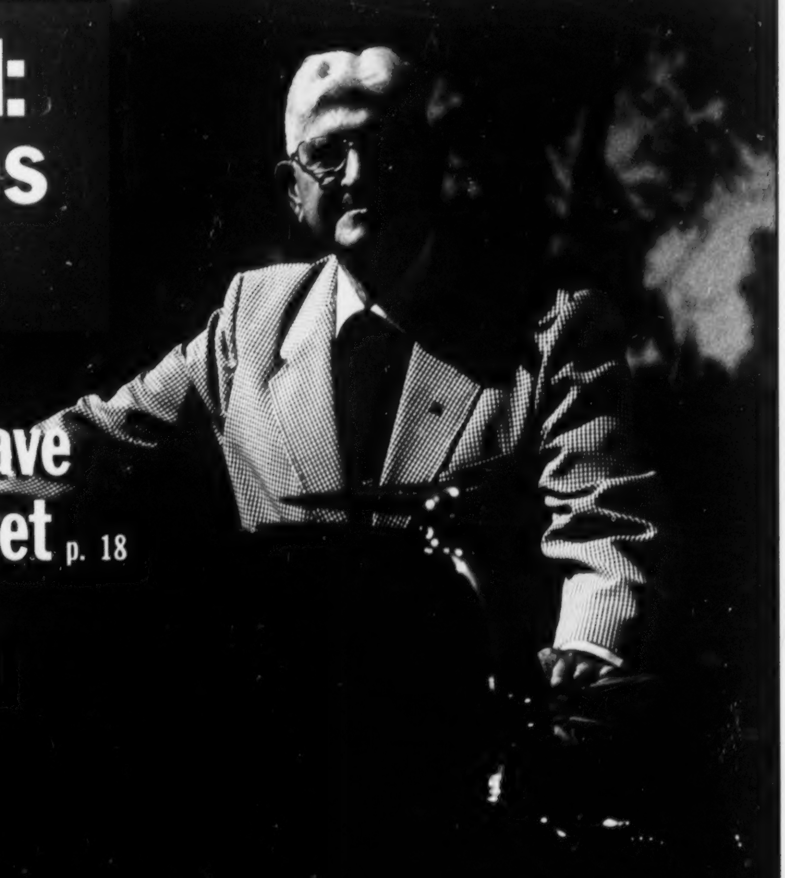

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Today's buyers demand sellers who listen as well as talk.—p. 30

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Steady growth ahead for Pacific Northwest

While the heady days of double digit growth are over for distributors in this region, the area's diversity should keep sales strong for the next few years.

Jim Douglas

The Port of Portland has emerged during the past few years as one of the West Coast's leading trade and transportation centers. Many now consider it the gateway to the Pacific Rim.

By Steve Zurier, Senior Editor

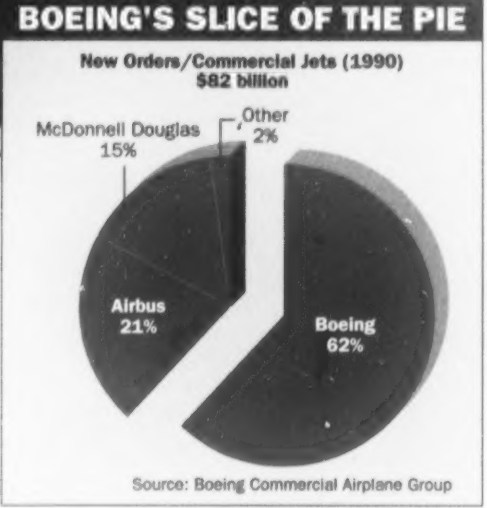
Aerospace. Fishing. High Technology. Machinery. Construction. Pulp and paper. These are but a few of the diverse industries Pacific Northwest distributors say will keep the region's economy pumping well into the 1990s.

"Our strength is our diversity," says Bowen King, president of Seattle-based Steam Supply & Rubber Co. "As industry comes into our region from other parts of the country, it gives distributors additional opportunities to sell. In my mind, the Pacific Northwest is what Arizona and the rest of the Sun Belt was about 15 years ago."

Many of the region's economic analysts agree. Michael J. Parks, Editor and Publisher of *Marple's Business Newsletter*, a leading source of business news in the Pacific Northwest, says that while businesses won't experience the double-digit growth of the late 1980s, the region's economy will experience steady growth for the next several years.

Notes Parks, "People have to remember that the Pacific Northwest was a latecomer to the U.S. economic party that began when the recession ended in 1982. As a result, businesspeople didn't overbuild the way they did in the Northeast, Southeast and parts of California. In addition,

With Boeing as an anchor creating jobs for machinists and contractors alike, the Pacific Northwest's economy should be quite strong in the 1990s.



BOEING'S SLICE OF THE PIE

New Orders/Commercial Jets (1990)
$82 billion

Source: Boeing Commercial Airplane Group

because of its overall diversity, the Pacific Northwest is still doing much better than the rest of the U.S. through this current recession and will continue to do so."

The economists at Security Pacific Bancorporation Northwest are also bullish on the Pacific Northwest's economy. According to the bank's 1991 forecast of the region, manufacturing growth will lead the way. The report points to strong aerospace, machinery and instrument production in Washington, as well as active metals and machinery manufacturing in Oregon, electrical machinery production in Idaho, and a steady food processing industry in Alaska.

Notes the report, "Over the long run, the Pacific Northwest is expected to post above-average growth in durable goods manufacturing and private service industries. The region will also continue as a strong competitor in high technology industries such as electronic equipment, scientific instruments and commercial airplanes. These industries will in turn boost research and development, information processing and technical consulting services. The Northwest also has promising opportunities in international trade and in attracting foreign investors."

What do distributors think?

Truth be told, industrial distributors in the Pacific Northwest count their blessings. In numerous interviews with distributors across the region, many were thankful that they had not experienced a severe downturn like their colleagues in New England, California and other parts of the country.

One distributor, who requested anonymity, says it's very unclear where the region is headed. "The Pacific Northwest tends to lag behind the rest of the country's economic performance," he says. "So at this point, we don't know if this is the calm before the storm, or the calm before another economic upturn."

The answer may be somewhere in the middle. For example, Gordon "Bud" Pritchard, of Bellingham, Wash.-based Morse Industrial Supply, expects his company to experience high single-digit growth in 1991. But a Portland-based distributor who asked to remain anonymous says his company is working hard just to stay ahead of last year's pace.

Notes Morse Supply's Pritchard, "We've had great success selling to a diverse array of industries, including Boeing subcontractors, oil refineries and the fishing industry. Our strategy has been to take advantage of the region's diversity. We don't want our company to be dependent on any one company or industry."

The Portland-based distributor who requested anonymity agrees with this strategy. In fact, he says his company has had success selling to contractors, steel makers, shipyards, machine shops, utilities, and the electronics industry in the Portland area. "Sales in our Portland branch are up nearly 9% compared with our performance this time last year," he says. "But sales at our Seattle area branch have declined."

Why? For starters, the Portland-based firm is not the only distributor who reports a tough year in the Seattle area. Many of the distributors interviewed who do business with Boeing complain that the large aircraft producer is awarding business to machine shops in Southern California and the Midwest, as well as Mexico and the Far East.

As could be expected, the issue attracted attention in the local press. Boeing acknowledges the problem, but spokesperson Elizabeth Reese says that the company's policy is to hire suppliers who can deliver a quality product, on-time, at a competitive price, regardless of where they are located. Notes Reese, "What suppliers will find is that contracts at Boeing will be for longer periods of time. As contracts are renewed, local suppliers are welcome to participate in the bidding process."

Despite the controversy. Boeing, and Boeing related business will continue to be a major source of sales for many industrial distributors. According to *Marple's Business Newsletter*, Boeing plans to spend more than $3 billion over the next several years to build new plants and offices—much of it to develop and build the Boeing 777 plane ordered by United Airlines. In addition, Boeing estimates that between 1991 and 2005, the international commercial jet market will require 9,000 new airplanes valued at $617 billion. If past performance is any indicator, Boeing will reap a lion's share of the available business (see chart).

The region's key issue

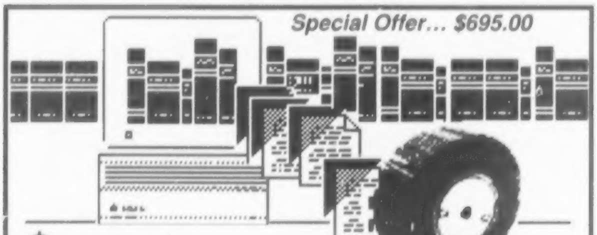
When people talk about the Pacific Northwest, tops on the list is the quality of life. From Oregon to Alaska, the region is known for some of the best hunting, fishing and camping in the world. In addition, Portland and Seattle are world class cities, complete with top flight convention facilities, professional sports teams and an active arts community. The major issue facing the region is how to grow responsibly, yet preserve the quality of life that makes the area such a desirable place to live. This is not always easy.

According to many of the industrial distributors interviewed, environmental groups seeking to save the spotted owl have badly hurt the forest products business—an industry which has also been plagued by overcapacity and weak demand. In addition, distributors in Alaska are skeptical of attempts by environmentalists to preserve the Arctic National Wildlife Refuge, the 1.5 million acre tract commonly referred to as ANWR.

'The Pacific Northwest is what Arizona and the rest of the Sun Belt was 15 years ago.'—King

As **ID** reported in its Oct. 1989 issue, development of ANWR could create as many as 250,000 jobs by the year 2005. Jobs that will pay an estimated $6 billion in annual salaries. Notes John Brunton, of Alaska Rubber & Supply, "The truth of the matter is that because so much of our land is under federal control, our destiny is not our own. While the increased controls placed on the oil companies in the wake of the Exxon Valdez disaster have helped our business, a great deal of our future growth is tied into what Congress does with ANWR. Remember, nearly 85% of Alaska's economy centers around the oil industry."

Without question, it's hard to compare Alaska with the rest of the Pacific Northwest. For Alaskans, the development of ANWR and proposals for natural gas exploration are still pending. This will make for a tough few years for the region's distributors. On the other hand, distributors in Washington, Oregon and Idaho should benefit from the region's diversity. Regardless of what happens, one thing is certain. Industrial distributors in the Pacific Northwest will continue to struggle with some of the most complex environmental issues of our day. ID



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INDUSTRIAL DISTRIBUTION

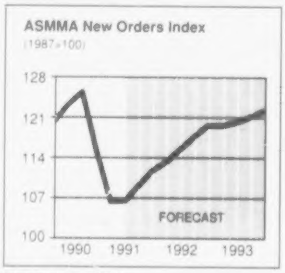
BUSINESS REPORT

By Susan E. Farris

Outlook calls for moderate recovery

Export growth will remain strong into '93.

This recession has not been very long or deep compared to historic recessions. After falling for six straight months, total industrial production began rising in April as manufacturing started to rebound from the economic recession. Although production started to flatten out in the third quarter, this was due primarily to declines in the mining and utilities sectors. Both the original equipment manufacturers (OEM) and process industries continue growing. Due to the mild recession, the upcoming expansion is not expected to be particularly robust. Production will reach its peak in 1992; however growth will hit only 70% of 1988 highs.



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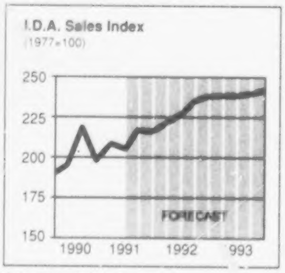
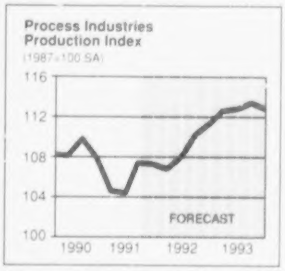


Data source: I.D.A
Forecast source: Cahners Economics

In the third quarter, total industrial production was trailing the same period in 1990 by 1.8%. Output should pick up slightly in the fourth quarter to end the year only 1.8% lower than in 1990. The forecast predicts industrial production will expand by 3.9% in 1992 and then creep up another 4.0% in 1993. The OEM, heavy machinery sector will expand earlier and more vigorously than the soft goods, process industries side. OEM production will shoot up by 5.4% in 1992 and a further 2.4% in 1993. The process industries will see a 3.0% rise in production for 1992 speed up to 3.5% growth in 1993. One of the main driving forces behind this manufacturing recovery will be continued strength in exports.

Since 1986, exports have enjoyed an average annual expansion of 14.7%. Even in the midst of an economic downturn, exports averaged 7.5% growth in the first half of 1991. Several factors are acting in favor of future export growth: the depreciating value of the dollar, productivity gains in manufacturing, and U.S. labor costs becoming increasingly competitive with those abroad. As all these factors affect the manufacturing industry, one of the stronger components of exports is capital goods which are forecast to increase by 7.3% this year. As the manufacturing industry begins to expand, it will start turning to overseas markets to increase sales. Expect total U.S. exports to rise by 4.5% in 1991 and by another 5.9% in 1992. The outlook calling for capital goods exports to grow by 6.9% in 1992 and 5.9% in 1993, should prompt some decent gains for industrial production.



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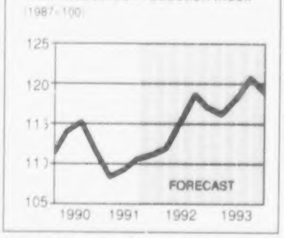

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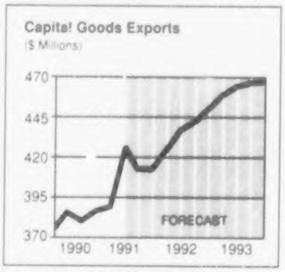

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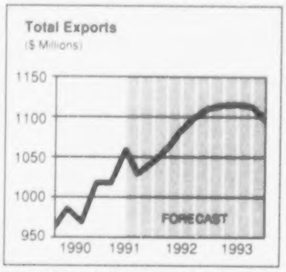

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CENTRAL	145.6	160.5	−12.9	41.4	−0.1
WEST	208.3	217.9	−3.9	38.1	0.9

SOURCE: Industrial Distribution Assn.

By Robert G. Clifton

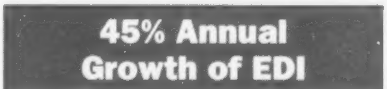
Come on-line with EDI

Advanced software resolves compatibility issues.

EDI is in place throughout the U.S. and we are on the edge of the long predicted boom. How do we know? One indication is that the *EDI Yellow Pages* increased its listings by 40% in one year. Last year's directory listed 12,200 EDI users, and this year's edition has grown to include the names of 20,500 businesses (see chart). In fact, the number of companies using EDI has increased no less than 45% annually for the last several years.

The EDI boom is such a sure bet that many businesses, although they do not use EDI regularly yet, do have it in place and are ready for customers who want it. As more and more trading partners come on-line, those prepared companies will pick up the business.

All the support structure needed for the EDI surge has been building for a long time too. More than 1,000 EDI professionals actively support the ANSI X12 Committee on message format standards. Hundreds of software firms now offer EDI support covering all possible operations for all computer types. In addition, a dozen national networks are ready to handle the messages. EDI needs no introduction period either. Public education on EDI has included trade shows where attendance has broken records, and at least three magazines and newsletters focus on new developments.



45% Annual Growth of EDI

Source: Business Partner Directory, EDI, spread the word, Dallas,Tex.

But the main reason for the EDI increase is the availability of conversion software to solve compatibility problems. At one time messages could be exchanged only if both sender and receiver were linked through the same network. Now, the networks, in their own interest, arrange interfaces between differing systems.

Another old problem was the lack of a standard message format that could be understood by both parties. But the ANSI X12 code has become the *de facto* national standard and almost all new software is geared to it. Even in the computer manufacturing industry, the trend is towards making products electronically compatible. The new working agreement between IBM and Apple is a perfect example.

The quality control revolution has played a large part in the swing to EDI. Customers are grading their distributors on service quality as well as product quality. Low rated suppliers are being weeded out. Distributors are setting goals such as "100% service." They want no costly errors in shipping the wrong goods. Nor do they want goods landing on their dock at the wrong time. Distributors who take the long view will move into EDI ahead of their customers to save costs while maintaining or even enhancing service levels.

Looking ahead, it is obvious that progressive manufacturing plants will make heavy use of EDI with selected suppliers. The best example is the General Motors Saturn plant in Spring Hill, Tenn. Their JIT systems contracts call for full use of EDI by distributors. Saturn plant suppliers must keep their inventories current by EDI ordering from their original vendors.

Not only can EDI improve quality and efficiency, it also carries a prestige benefit. Distributors are discovering that when they implement EDI their customers see them in a new light—as progressive. There is, of course, a selling edge involved when distributors impress their customers.

With all the incentives proven, the support system in place, and the obstacles removed, the evidence keeps piling up that most companies will soon operate on EDI.

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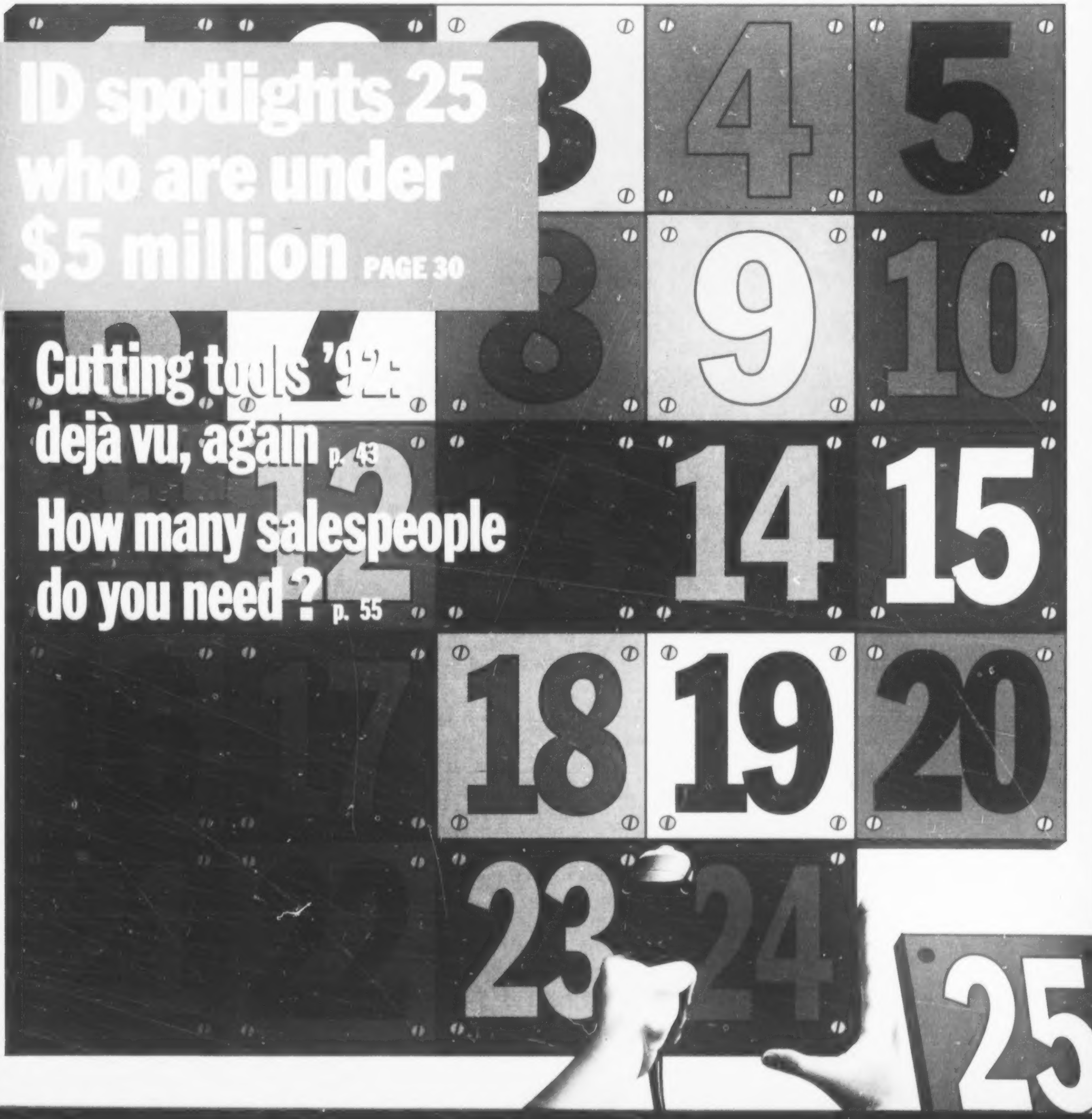
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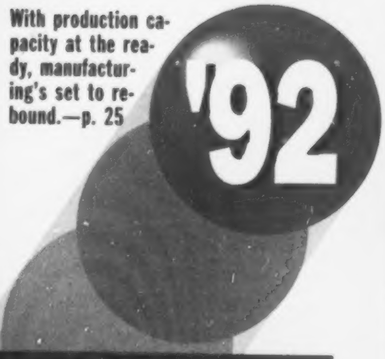

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Here're some tips on how to get a piece of the public sector pie.—p. 39

For 50 years Kelly Supply and Gates Rubber have practiced profitable partnering.—p. 49

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Manufacturing will be the first to rebound in '92

The expansion will be modest due to weaker consumer and government spending, yet most sectors will recoup their losses from the recession.

By Susan Farris, Contributing Editor

This year will mark the beginning of the next economic expansion. The start of 1992 promises to be slow-paced and sluggish, with many economic indicators expected to remain relatively flat over the first few months. By the end of the year many sectors will begin to experience growth again, after last year's decline.

Most sectors should at least recover 1991's losses, with some sectors, such as computers, electrical and non-electrical machinery, coming out ahead. Manufacturing will be one of the first sectors to rebound in the early phases of the economic expansion. At this stage, neither consumers nor government have the requisite spending power to add further momentum to the recovery.

As a result, the forecast is for GNP to grow by just 2.6% in 1992 and 3.0% in 1993. This compares to historical growth rates during an average expansion of between 6 and 8%. Industrial production will expand 3.9% in 1992 and an additional 4.0% in 1993.

What will drive the recovery?

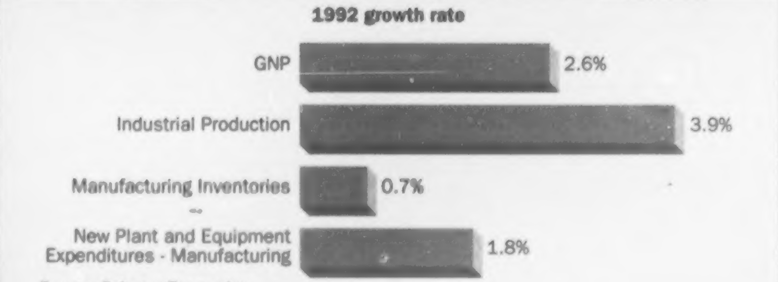
Inventories pared during the recession have declined ever since. But businesses are hesitant about reacting to the positive economic signals just yet. Bar coding and JIT arrangements allow businesses to hold lower inventory levels. Inventories will grow by only 0.7% this year.

One reason manufacturing has recovered so early is that operating rates are running higher than is usual at the beginning of an expansion. Manufacturing operating rates are expected to exceed 80% by midyear. Plant and equipment spending will increase sooner as businesses find they need to meet growing demand. Spending on plant and equipment for the manufacturing industry will rise by 1.8% for 1992, after last year's 2.3% decline.

In addition to capacity expansion, many plants and factories will undergo rehabilitation. By 1993, manufacturing capital spending will surge by 7.7%. The original equipment manufacturers (OEM) sector, in particular, should benefit from this increased spending.

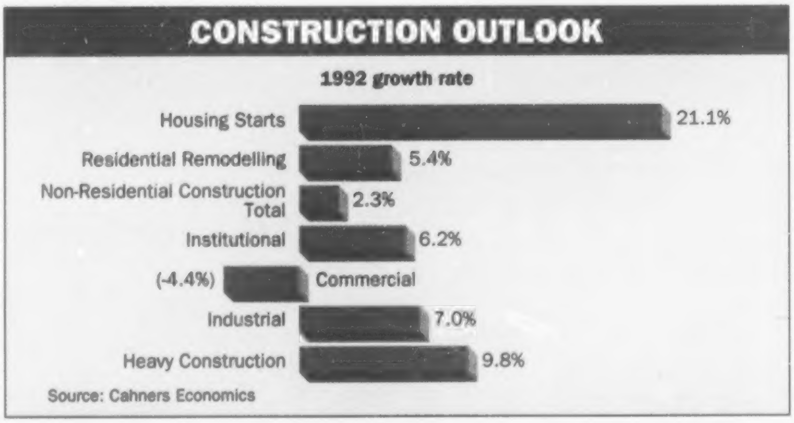
Capital spending will be encouraged by the favorable investment environment. Mild inflation is expected to continue for the next two years: The producer price index is forecast to rise a modest 2.8% in 1992, while consumers will see price inflation hover around 4% through 1993.

'92 INDICATOR GROWTH



Source: Cahners Economics

Rebound



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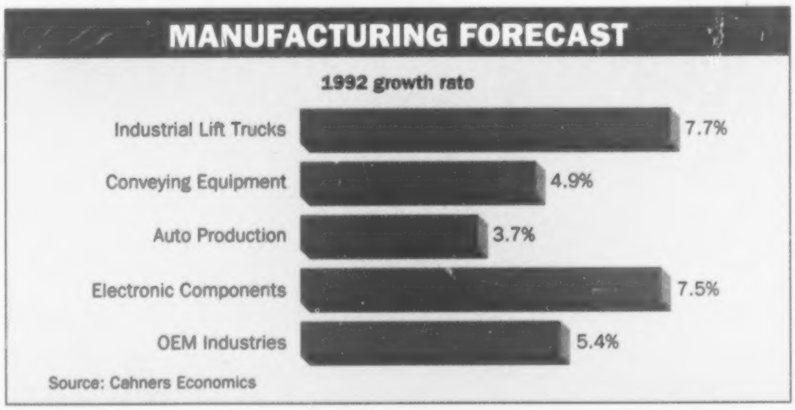

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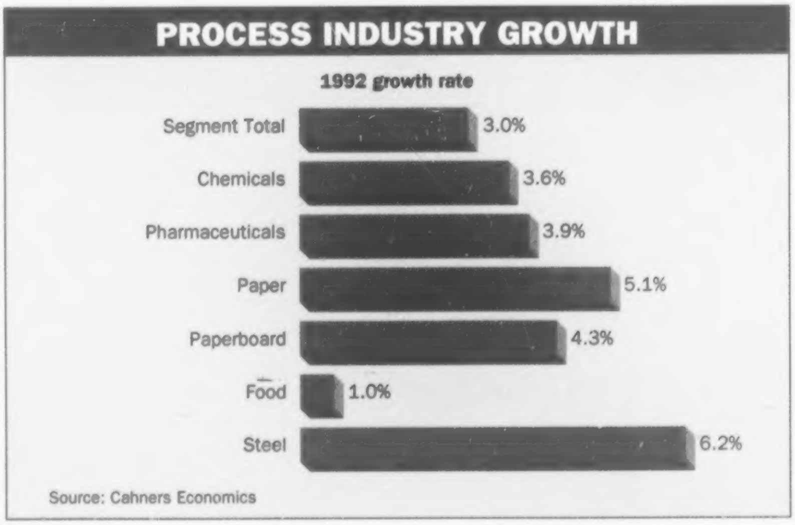


Source: Cahners Economics

The housing market recovers slowly and unevenly. While housing starts inch forward, several months of decline occurred for both new and existing home sales. Homeowners turned to refurbishing existing property.

After growing 1.4% last year, residential remodeling will rise 5.4% in 1992. Total housing starts should exceed 1.2 million for the year, with most growth in the latter half. Although this will be 21.1% higher than the dismal level of 1991 starts, it is roughly equal to the number of homes built in 1980.

Growth in new home construction has been concentrated primarily in the West, with the weakest markets in the Northeast. Although the Pacific region has seen healthy levels of construction activity, the pace is slower than 1990 activity. Lower interest rates may help the residential building market avoid a slump in '92.

Non-residential construction is expected to rise 2.3% in 1992 after falling 6.9% last year. The institutional group will provide much of the strength, since it is the only component of non-residential construction to experience growth last year. Institutional construction spending, which includes hospitals, schools and government buildings, will increase by 6.2% this year. Expect commercial construction to fall 4.4% in 1992, due to overbuilding and slow employment growth. Spending on industrial buildings will grow 7.0%.

Heavy construction spending will expand by 9.8% this year over 1991 levels. Spending on sewers, conservation and development, and residential site preparation will all grow by more than 10% this year. Highway and street and utilities and other private construction, which account for more than half of total heavy construction, will each rise by 8.8% this year.

Recoveries in housing and capital spending will increase demand for structural metal products. The machine tools industry will see more moderate growth this year after the volatile '87 to '89 period. Nevertheless, demand for machine tools will rise short-term.

All manufacturing industries will expand their pollution equipment spending this year, with auto makers in particular investing in new equipment to comply with higher fuel economy legislation. The planned North American free-trade agreement will result in a greater number of re-tooling orders from American companies building plants in the south.

Signs are good for a rebound

Plummeting sales of mobile hydraulics last year caused an overall decline in the fluid power industry. Weak end markets such as farming and highway machinery, mining, and autos all contributed to the decline. Higher institutional construction spending this year will drive industrial hydraulics output.

Pneumatics, about 25% of the total, will grow briskly in the first half of 1992. Exports will continue to provide strength for the fluid power industry, but to a lesser extent than in the past due to higher imports. Look to 1993 for the highest growth rate for both hydraulics and pneumatics in this recovery.

Auto production, which started declining last May, will turn around by mid-1992. Production is forecast to end the year some 3.7% higher than 1991 levels, which translates to almost 200,000 more units. With forecasters predicting growth in consumer spending of 2.0% for 1992, expect 1992 auto production to rise 3.7%. In 1993, production will drift up by 1.4%, to 5.6 million units.

The electronics industry will not recover as strongly as it has during past expansions. Part of this is because the recent electronics slowdown was much milder than the last downturn in 1986. Expect shipments of electronic components to rise by 7.5% in 1992. With many end markets showing improvements, electronic components producers can look forward to 2.9% growth in 1993.

The OEM sector will perform slightly better than the process industries, with 5.4 and 2.4% growth forecast for 1992 and 1993. The outlook for the process industries is for production to increase by 3.0% this year, due in part to growing demand from the OEM markets for materials such as chemicals, steel and plastics.

The chemicals sector will make a brisk recovery over the next two years. Production will increase by 3.6% this year, trimming leadtimes to 2.7 weeks in the first half of 1992. With inflation under control and few supply pressures, chemical prices in 1992 will remain even.

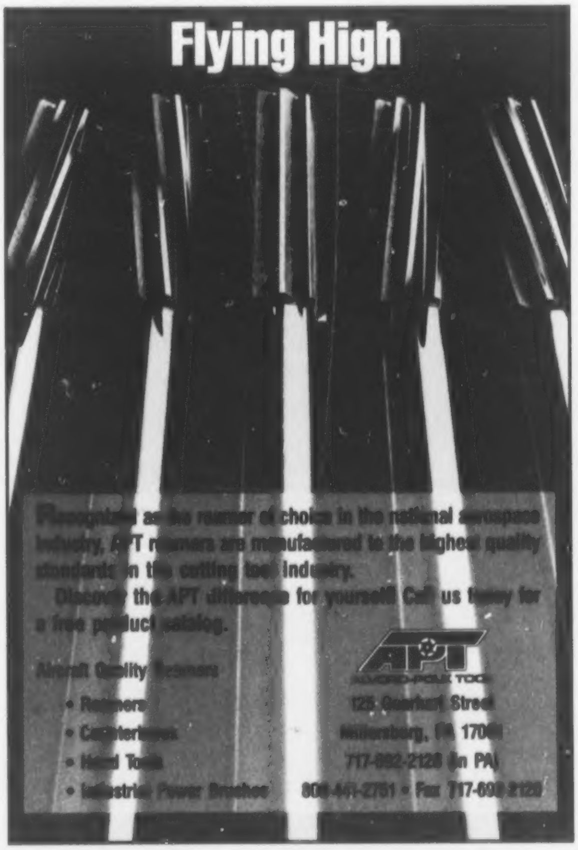
Major capital spending plans were deferred during the recession, creating pent-up demand for heavy capital goods.

With improvements foreseen in many end markets such as autos, appliances and heavy construction, expect demand for steel to start recovering early in the year. Steel production is forecast to expand by 6.2% this year. Domestic consumption of steel mill products is defined as total production plus imports minus exports. As the U.S. dollar strengthens and foreign economies weaken, expect net imports of steel to be higher. As a result, consumption will grow faster than domestic production, rising 7.3% in 1992.

What's in store for '92

With most end markets expected to improve this year, distributors can look forward to a busier '92. The electronics market, including computers, communications equipment and components, promises to be strong.

Both electrical and non-electrical machinery will post robust gains over the next few years, making up for their moderate losses in 1991. Chemicals and plastics will be the healthier sectors of the process industries. As for the weaker sectors: Construction spending will grow slowly this year, with commercial building expenditures forecast to fall. Although the outlook calls for transportation output to expand, it will not rise enough to recoup last year's decline. Expect the upcoming expansion to also be moderate. ID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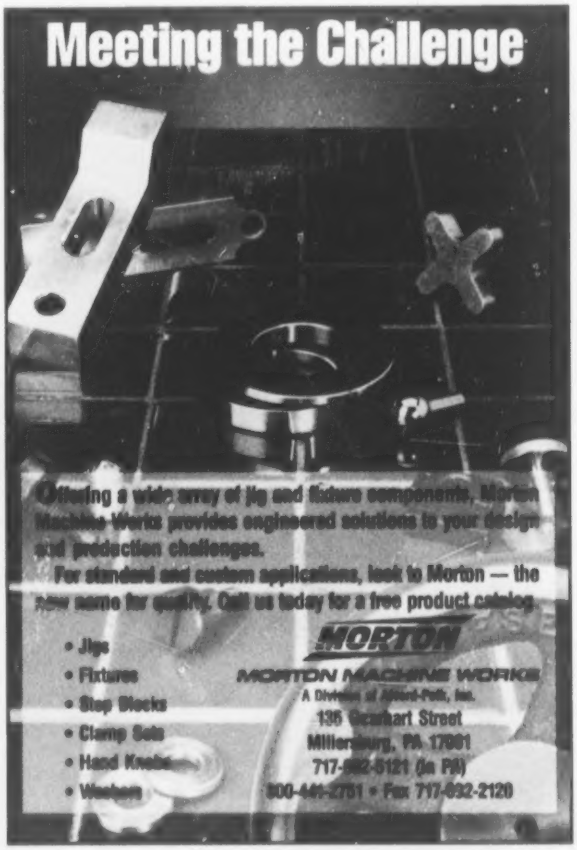
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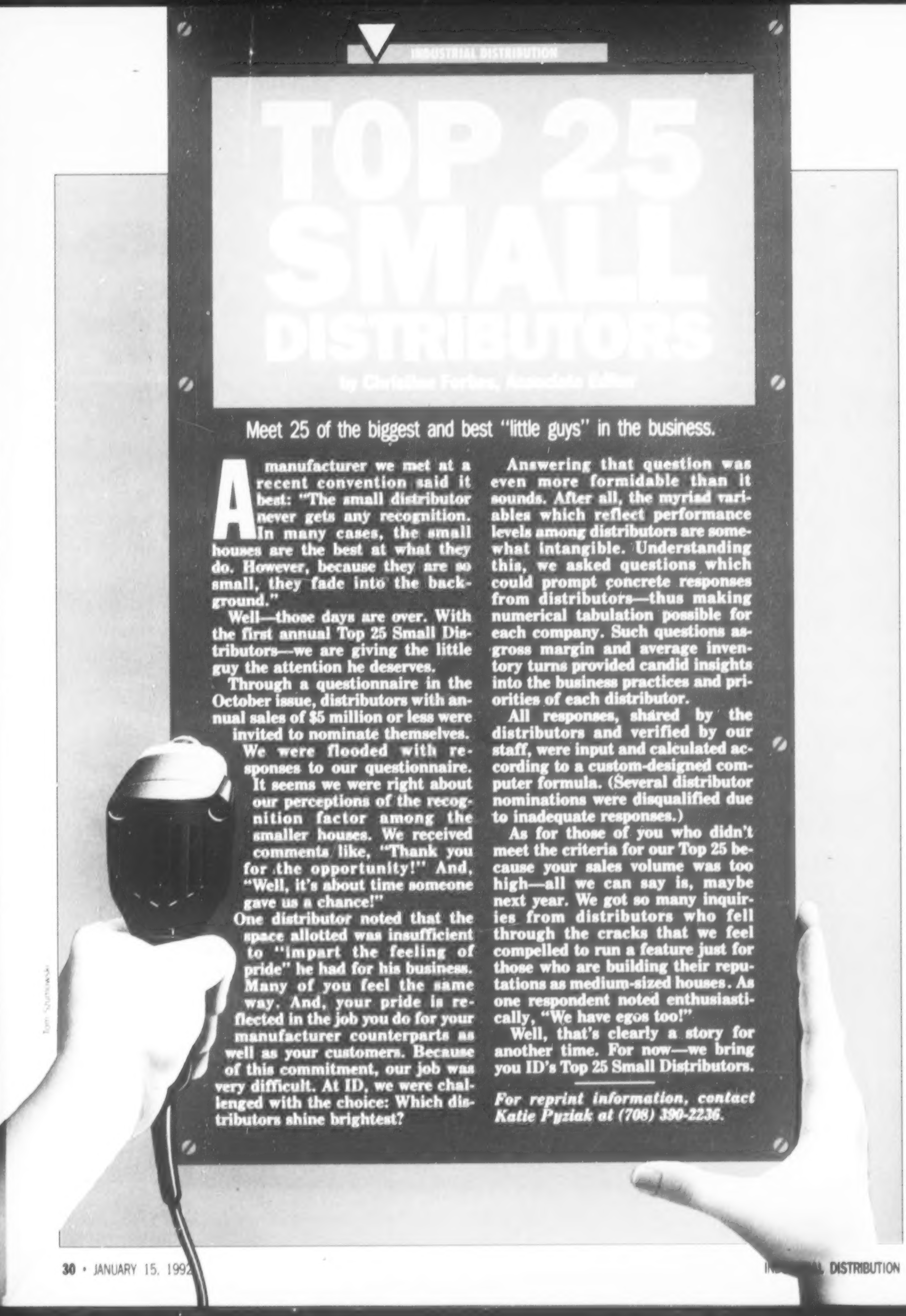

TOP 25 SMALL DISTRIBUTORS

by Christine Forbes, Associate Editor

Meet 25 of the biggest and best "little guys" in the business.

A manufacturer we met at a recent convention said it best: "The small distributor never gets any recognition. In many cases, the small houses are the best at what they do. However, because they are so small, they fade into the background."

Well—those days are over. With the first annual Top 25 Small Distributors—we are giving the little guy the attention he deserves.

Through a questionnaire in the October issue, distributors with annual sales of $5 million or less were invited to nominate themselves.

We were flooded with responses to our questionnaire. It seems we were right about our perceptions of the recognition factor among the smaller houses. We received comments like, "Thank you for the opportunity!" And, "Well, it's about time someone gave us a chance!"

One distributor noted that the space allotted was insufficient to "impart the feeling of pride" he had for his business. Many of you feel the same way. And, your pride is reflected in the job you do for your manufacturer counterparts as well as your customers. Because of this commitment, our job was very difficult. At ID, we were challenged with the choice: Which distributors shine brightest?

Answering that question was even more formidable than it sounds. After all, the myriad variables which reflect performance levels among distributors are somewhat intangible. Understanding this, we asked questions which could prompt concrete responses from distributors—thus making numerical tabulation possible for each company. Such questions as gross margin and average inventory turns provided candid insights into the business practices and priorities of each distributor.

All responses, shared by the distributors and verified by our staff, were input and calculated according to a custom-designed computer formula. (Several distributor nominations were disqualified due to inadequate responses.)

As for those of you who didn't meet the criteria for our Top 25 because your sales volume was too high—all we can say is, maybe next year. We got so many inquiries from distributors who fell through the cracks that we feel compelled to run a feature just for those who are building their reputations as medium-sized houses. As one respondent noted enthusiastically, "We have egos too!"

Well, that's clearly a story for another time. For now—we bring you ID's Top 25 Small Distributors.

For reprint information, contact Katie Pyziak at (708) 390-2236.

Tom Szumowski

1. Thomas Industrial Products Co., Inc.
2. Atwood Industries, Inc.
3. Major Tool Co.
4. Kamman Supply Co.
5. David F. Moore & Assoc.
6. M.D. Larkin Co.
7. Robnet, Inc.
8. Misco, Inc.
9. Contractor-Industrial Supply
10. Engineered Fluid Power Services, Inc.
11. Aztech Controls Corp.
12. DeLeon-Thompson
13. Recovery P.T. & Hydraulics
14. The Youngstown Rubber Products Co.
15. Sheats Supply Services, Inc.
16. Novelty Machine & Supply Co.
17. Frank Murken Products, Inc.
18. Welles Supply Co.
19. Rush More Industrial Supply Co.
20. DeLuca Valve & Instrument Co.
21. Indiana Fluid Power
22. Mid-South Tool Supply Co.
23. Dudley C. Jackson, Inc.
24. Arcadia Supply Inc.
25. Sealing Technology Co

1

Thomas Industrial Products Co., Inc.
Owings Mills, Md.
Robert A. Lyons, President

1990 Sales: $3.53 million+ **Employees:** 16
Average No. of Inventory Turns: 5.26
(See profile pg.32)

2

Atwood Industries, Inc.
Cleveland, Ohio
Ronald A. Meisinger, President

1990 Sales: $4.3 million **Employees:** 15
Average No. of Inventory Turns: 6

Thanks to a six-page, monthly newsletter, in-plant seminars, and other highly specialized services, Atwood Industries, Inc. possesses a striking corporate identity. And, according to Ronald Meisinger, that's the idea. After 20 years of selling specialty tooling and cutting tools to the automotive, aerospace and job shop markets, Atwood wants to be synonymous with its lines. And it is. "When our customers think of the product, they think of us—and they come to us," Meisinger says.

3

Major Tool Co.
Knoxville, Tenn.
Avi Major Ford, President

1990 Sales: $2.7 million **Employees:** 8
Average No. of Inventory Turns: 9

"The way we see it, the industry is being split into two groups: Big catalog houses and specialty companies," says Brad Nicum, Major Tool Co.'s operations manager. Thriving within the specialty niche has been the company's goal since its founding in 1982 as a specialty cutting tool and abrasives house. And serving the automotive, defense and aerospace industries, Major's doing just that. The firm does ground-up tooling applications—from engineering and manufacturing to stocking.

4

Kamman Supply Co.
St. Clair Shores, Mich.
Bill Kamman, President

1990 Sales: $2.25 million **Employees:** 7
Average No. of Inventory Turns: 8

When Bill Kamman's father, Otto, started Kamman Supply Co. in 1943, he did so with only $39 in his pocket. Today, the specialty cutting tool and abrasives house boasts more than 400 active customers in the tool and die and mold shops in the greater Detroit area. Kamman's secret for success? "We are a diligent, honest business, and we've spent all these years building and preserving our name and reputation," says Kamman. Performance doesn't hurt either. The firm reports an average of eight inventory turns.

5

David F. Moore & Assoc.
Chattanooga, Tenn.
David F. Moore, President

1990 Sales: $4.9 million **Employees:** 15
Average No. of Inventory Turns: 7

Top notch salespeople and quality lines are the fuel that drives David F. Moore & Assoc. to be one of the strongest small distributors in Tennessee. Founded in 1969, the firm specializes in industrial pumps, valves and instrumentation. Major markets include the chemical process, electric power and pulp and paper industries. Notes Moore, "We're really proud of our partnering arrangements with DuPont and BASF and our continuous improvement program."

6

M.D. Larkin Co.
Dayton, Ohio
R.L. Brickley, President

1990 Sales: $2.4 million **Employees:** 7
Average No. of Inventory Turns: 9.3

M.D. Larkin has been owned and managed by the same family since it was founded in 1906. According to Brickley, nearly 80% of the cutting tool and abrasives distributor's business is either automotive or automotive related. Brickley says that the company's real strength is the technical expertise of its inside and outside salespeople. "We stress training here," he says. "In fact, a year doesn't go by that our salespeople don't attend at least one factory-sponsored training seminar."

7

Robnet, Inc.
Baltimore, Md.
Elizabeth Edelstein, President

1990 Sales: $850,000 **Employees:** 6
Average No. of Inventory Turns: 8

Founded in 1985 as an industrial supply house, Elizabeth and Robert Edelstein have redirected their company into one of the most successful fastener houses in the region. The duo's formula? Strong customer service and competitive prices. According to Robert Edelstein, he and his wife are a perfect business pair. "My strengths are sales and product knowledge. Her strong point is marketing," he says. The company sells primarily to the food services industry and industrial contractors.

Meet #1

Thomas Industrial Products Co. in Owings Mills, Md., crests **ID**'s list of the Top 25 Small Distributors.

In only nine short years, Thomas Industrial Products Co., Inc., formerly George P. Thomas Rubber Co., has more than quadrupled its size.

In a recessionary economy when others have folded due to severely leveraged assets, Thomas Industrial is striving for expansion through acquisition and/or branching.

In a region that's fragmented by aggressive competition, Thomas Industrial is doing more than just holding its own—the hose and accessories distributor is swiftly chipping away at market share.

As a certified coupler for aircraft refueling hose, liquid petroleum gas hose, and radiation waste transfer hose, among others, Thomas Industrial is a highly skilled and respected distributor in the eyes of both its suppliers and its customers.

Tucked away in an unsuspecting office park in Owings Mills, Md., Thomas Industrial Products has emerged as an innovative leader among small distributors in the industry. Indeed, that is why the century-old distributorship, headed by president, Bob Lyons, is **ID**'s top small distributor.

Inside Thomas Industrial Products

"Small distributor" is an interesting term to use when describing Thomas Industrial Products Co. For, while the term does accurately depict the sales category most suitable to Thomas, "small" hardly characterizes the magnitude of the operation.

To qualify this statement, a bit of history is in order. Thomas Industrial Products Co. began more than 100 years ago as George P. Thomas Rubber Co. Originally located in downtown Baltimore, the company received a new-blood boost when Bob Lyons bought it in 1982. With 17 years experience in the rubber products business—both in manufacturing and distribution—Lyons left the security of his corporate position to buy the $850,000 company in what was then a recessionary economy.

Changing the name to Thomas Industrial Products, says Lyons, was a calculated strategy. "We maintained the "Thomas" part of the name because of the long-standing reputation and name recognition that the company had built up over the years," he explains. "But, by adding "Industrial Products" to the name, we were also aiming to make ourselves identifiable with a broader line of products."

Today, Thomas carries everything from belts and hose to valves and protective clothing. "We're not a general liner," says Lyons, "but we do try to be a full-service house." Servicing steel and shipbuilding accounts, municipalities, as well as the food processing and nuclear power industries, Thomas Industrial is doing just that. And Dick Combs, projects specialist purchasing, at Eastern Stainless Steel in Baltimore attests to it. "In its field, Thomas Industrial has a lot of competition," he says. "But, I consider Thomas my prime source of supply. The firm is competitive and service-oriented in areas of value, not just price."

From stock to service

Maintaining ample stock of products in its 20,000 sq ft warehouse is one key component of the relationship Thomas has developed with its customers. However, while Lyons stresses the importance of "not selling out of an empty wagon," he also underscores the significance of carrying the partnership several steps further.

Quality service is just one of those ways. And, as former president of the National Assn. of Hose & Accessories Distributors (NAHAD), Lyons is a firm believer in the management philosophy. "We have to supply our products on time and without error. Our customers demand it," Lyons says. Accordingly, Thomas guarantees same day shipment if the item is ordered by 3:00 p.m. and also boasts a high fill-rate of 98.5% on the average.

Lyons is quick to attribute this performance to his employees. "It's the group that makes it happen," he says. "They are here from 7:30 in the morning until 6:30 at night, and they often come in on Saturday. I

TIPCO
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Meet Thomas Industrial Products Company's #1 staff. Comprised of several dedicated family members and long-standing employees, the group has helped to make this small hose and accessories distributor a great distributor.

provide the support, but they do the work."

If the level of turnover and employee tenure is any indication of the job satisfaction rate at Thomas Industrial, Lyons is not exaggerating. Several employees still remain from the former ownership, including the vice-president, sales, G. Lawrence Watts, Jr., who has been with Thomas since 1965, and 15-year veteran Tom Noell, an outside salesman. How do they like working at Thomas? "It's a hectic atmosphere because we're so busy," says Noell. "But we try to have fun at the same time. I love it."

Family fun

The Lyons family loves it too. Fulfilling individual responsibilities under the Thomas Industrial roof are Lyons' wife, Jane, his son, Rob and his daughter, Terri David. Jane, who is vice-president, finance, for Thomas Industrial has been in the industry almost as long as Bob.

While family involvement is a unique aspect of Thomas Industrial, it's not one that Bob Lyons counted on for the business. "We were actually quite surprised when the kids wanted to join the company," he says. But, having decided to join—Terri as an administrative assistant and Rob in outside sales—the second generation is working its way up like the rest of the employees. "Rob started out in the warehouse where he worked for two years at a warehouse salary," explains Jane. And Jane is quick to point out, too, that she is an employee just like the rest. "Bob runs the company," she says.

Adding value

Running the company has become more and more of a challenge lately, according to Lyons. The recession, the high cost of doing business, and stiff competition in the greater Baltimore area are just a few of the reasons why. "Baltimore is highly fragmented, and the competition has grown dramatically in recent years," he says.

But, that just gives Lyons and his employees more motivation to fight. "The key is to become a strong regional supplier and decrease the number of players in order to make the market more lucrative for a few," he asserts. "And that means keeping the outside players out as well."

Value-added service is his secret weapon against competitors in the Delaware, Maryland, Washington, D.C. & Northern Virginia region. Providing application assistance and technical engineering, product testing, as well as custom crimping, coupling and cutting are all in a day's work for the Thomas Industrial staff. In fact, Lyons notes that 50% of the company's business is value added.

Value added is a major focus at Thomas Industrial and it shows. The company is a certified coupler for aircraft refueling hose, liquid petroleum gas hose, anhydrous ammonia hose, as well as many other types of hose. In order to earn these certification privileges, the firm underwent a stringent examination process, and select Thomas employees were carefully trained. Today, Thomas is one of the few companies in the area that performs these services. "A lot of companies won't even touch these markets because of the liability involved," explains Lyons.

According to W.A. "Doc' Whitehurst, vice president of distributor sales for Dayco Products, Inc. in Dayton, Ohio, Thomas Industrial's flair for dealing with such accounts is one of its strongest qualities. "Thomas has a knack for seeking out the business it can handle and then servicing it beautifully," he says. Being Thomas' stellar line, Dayco clearly benefits from the firm's steady and strong performance among end users. And Whitehurst is quick to commend. He says, "Bob Lyons and his staff have done a fantastic job of representing Dayco in the marketplace."

Thomas Industrial's willingness to navigate along uncharted waters; its pursuit of growth in a down economy; and the integrity it has maintained throughout, thanks to an outstanding leader and a staff of professionals, puts Thomas Industrial Products Co. at the top of our list. Join us in congratulating them.

TOP 25

8

Misco, Inc.

Boise, Idaho
Bob Harder, President

1990 Sales: $2.8 million **Employees:** 10
Average No. of Inventory Turns: 15

Service and the expertise of its salespeople are what makes Misco, Inc. a first rate company. In fact, a company spokesman notes, "Out of the firm's four outside salespeople, the least experienced salesperson of the group has 15 years on the road." Founded in 1983 by Harder, Misco specializes in compressors, pumps and valves. Primary markets include the mining, forest products and electronics industry.

9

Contractor-Industrial Supply

Northbrook, Ill.
Arnold Moschin, President

1990 Sales: $4 million+ **Employees:** 16
Average No. of Inventory Turns: 4.5

Contractor-Industrial Supply (CIS) is not your typical STAFDA house. When the firm was founded in 1976, it was named Harold's Industrial Supply after Moschin's father. But construction-related business proved strong that first year and Moschin decided that CIS was a more accurate reflection of the company's customer mix. Today, 50% of CIS' business is construction, while the other 50% is derived from sales to industry. Moschin says, "Our strength is our broad product offering. Our customers have 22,000 line items to choose from."

10

Engineered Fluid Power Services, Inc.

Houston, Tex.
Garland Sparks, President & CEO

1990 Sales: $800,000 **Employees:** 6
Average No. of Inventory Turns: 10

Engineered Fluid Power Services, Inc. sells fluid power and pneumatic equipment in the Dallas, Ft. Worth and Houston markets. While the specialty company is relatively young—having been established in May 1990—it currently has 400 active customers and an active EDI network. But don't let Engineered Fluid Power's youth fool you: The firm's six employees have a wealth of experience among them. Says Sparks, "We all have 25 to 30 years of experience in product application. That's what sets us apart from our competition."

11

Aztech Controls Corp.

Phoenix, Ariz.
Pat Frazier, President

1990 Sales: $4.75 million **Employees:** 18
Average No. of Inventory Turns: 5.2

Specialty pipe, valve and fitting house, Aztech Controls Corp., seeks out the kinds of products that most others shy away from. "We look for expensive, engineered applications with long lead times," Frazier admits. Why? Clearly because it allows the firm to carve its own niche with the semiconductor, power, and mining industries it services. And, after only five years in business, Aztech has done just that. "100% of our business is value added," says Frazier.

12

DeLeon-Thompson

Moline, Ill.
Robert J. Thompson, President

1990 Sales: $3 million **Employees:** 10
Average No. of Inventory Turns: 4.61

When DeLeon-Thompson became a stocking distributorship in 1981, the company ambitiously shot at a specialized market segment. Targeting agricultural and off-road construction equipment manufacturers and the auto aftermarket, the company sells cutting tools and fluids as well as filtration and coolant recycling systems. Although highly specialized, DeLeon-Thompson is plagued by stiff competition in Iowa and Illinois, its selling area. But Thompson's not worried. "A lot of people do the same thing we do—we just do it better," he says.

Recovery P.T. & Hydraulics, Inc.

Bloomington, Cal.
Steve H. Hammersmith, President & CEO

1990 Sales: $1.1 million **Employees:** 8
Average No. of Inventory Turns: 6.3

Founded in November 1988, this West Coast combination distributor has seen its sales skyrocket 184% from 1989 to 1990. Major markets served by the company include the roofing industry, food plants, and repair and construction equipment. Covering the L.A. Basin, Recovery P.T. mainly sells hydraulics and power transmission products to its 425 active customers. The distributor also offers customers a complete repair shop and a 1,000 sq ft, self-service retail store. Says Hammersmith: "We make it easy for the small independent plants to buy."

14

The Youngstown Rubber Products Co.

Youngstown, Ohio
F. Stanley Wittenauer, President

1990 Sales: $2.9 million **Employees:** 15
Average No. of Inventory Turns: 6

Ask Joe Calcagni, Youngstown Rubber Products Co.'s assistant treasurer, what the distributor's major strength is and the answer is unequivocal: Product knowledge and inventory level. "We know what we're selling, and we make sure that it's the stuff that's here," he says. If 72-year-old Youngstown Rubber's inventory turn record is any indication, Calcagni is right on target. The specialty rubber products and hydraulics firm stocks 5,000 line items for its steel, auto and small manufacturing customers and turns them 6 times.

15

Sheats Supply Services, Inc.

Indianapolis, Ind.
Nancy Sheats, CEO

1990 Sales: $4.1 million **Employees:** 18
Average No. of Inventory Turns: 4.25

"There's absolutely no doubt in my mind that our service excellence program is what sets us apart," says Jeff Sheats, vice president of Sheats Supply. And, judging from the premises of the plan—guaranteed perfect order or your money back and substantial employee bonuses tied to customer performance—it's no wonder. The specialty cutting tool firm's 25-year commitment to quality service puts Sheats high on the list for its diverse customer base of automotive, defense and utilities, and aviation markets.

16

Novelty Machine & Supply Co.

Mason City, Iowa
John A. Olson, President & CEO

1990 Sales: $3.9 million **Employees:** 20
Average No. of Inventory Turns: 5.5

Established in 1876, Novelty Machine & Supply Co. is a family business that supplies general line products, including power transmission, industrial plumbing and materials handling products. The food processing industry, feed and grain, and municipalities are the distributor's primary markets. Within those markets, Olson says, several key strengths set Novelty apart from its competition. "Our machine shop/service facility, our recognized engineering services and product knowledge, as well as the quality of our vendors are exceptional," he notes.

Meet #25

Bottom of the barrel it is not! ID's # 25 distributor, Sealing Technology Co., has a niche all its own.

In searching our readership for the Top 25 Small Distributors, we had the pleasure of learning about many new companies. In most cases, these firms were small distributorships with unique niches.

Without question, the company with the most unique niche is Sealing Technology Co., our #25 distributor.

Ask Sealing Technology's president, David Williams, what his firm's niche is and he'll say: "If it rotates or reciprocates, we probably seal it." That description encompasses mechanical seals and packing, hydraulic/pneumatic seals, centrifugal pumps, and specialty technical products.

To further specialize, 95% of Sealing Technology's product line consist of one manufacturer—A.W. Chesterton Co. in Stoneham, Mass. "They are the Cadillac of the line," says Williams. "By selling the best quality it's easy to show customers their total operating costs are reduced."

True value

Sealing Technology carries the A.W. Chesterton line with a high degree of specialization. And the Twinsburg, Ohio-based distributor also sells the product with an extreme degree of specialization. "Value added is a major part of our business," notes Williams.

It has to be. According to Williams, the sealing product segment is unusual in that when his salesmen sell the product, they are selling the performance enhancements that go along with it. Accordingly, strong product knowledge and engineering expertise is paramount. For example, a pump that functions with a mechanical seal or mechanical packing will operate more efficiently with a seal. "Our salesmen present the seal and sell the fact that the pump operates with one-sixth the amount of energy that would normally be required to operate it with packing," Williams explains. "It goes far beyond the cost of ownership or acquisition."

Due to the nature of the products, Sealing Technology salespeople work at all levels on the customer side. "Oftentimes, they present to production, maintenance, quality or energy departments along with corporate purchasing," Williams notes.

This is particularly useful when they perform still more value-added services—this time engineering functions. According to Williams, Sealing Technology salespeople are trained to change face configurations and install seals, as well as to assemble the pumps they sell. "Some general liners sell the same products we do, but they don't do it as a specialty. We do it better, because we can spend time showing customers how to extend the time between downtime intervals," contends Williams.

True quality

Selling with specialization is one thing—selling with quality is another. Sealing Technology does both. Although the company does not have a formalized quality program in place, Williams notes that the premises of the quality movement are actively pursued at Sealing Technology. Error tracking and reduction being one component—the company's record speaks for itself. "Last year we issued credits on one-half of 1% of total invoices," Williams recounts. "That includes our own errors and those our customers might have made themselves."

Sealing Technology also practices the people side of quality management. Williams stresses that his staff, "the company's driving force," acts autonomously and is empowered to make many of its own decisions. "We nurture our salespeople to think of themselves as independent business people."

Everything from EDI, which Sealing Technology introduced in the first part of 1991, to its strong partnering commitment with A.W. Chesterton has contributed to this small company's success. Peter Lowry, vice president of national sales for the Stoneham, Mass.-based manufacturer couldn't agree more. "Sealing Technology is considered one of our better managed, more successful distributors," he says. "They are 110% dedicated to customer service."

Sealing Technology's management feels strongly that the company's status as a small distributor also plays a significant role in that prosperity. "I love being a small distributor," Williams says. "I can maintain control and become very involved at the same time." Williams talks to as many as 12 customers per day by picking up the inside sales lines when they ring. He says it helps him "stay in touch with reality."

With sales of $2.25 million and growing, Williams and his 11-year-old specialty firm seem to be in touch with reality and more. ID

17 Frank Murken Products, Inc.

Schenectady, N.Y.
Joseph Murray, President

1990 Sales: $2.68 million **Employees:** 13
Average No. of Inventory Turns: 4.2

"We are a small, but growing distributor," says Murray of Frank Murken Products, the general-line house he bought in 1986. A strong quality focus gleaned from Murray's stint with General Electric, as well as a strong EDI network and a finite emphasis on value-added service is making that growth happen. Partnering and contract agreements with customers in the chemical and paper industries are the natural outgrowth of the company's progressive approach. "We truly believe in partnering," relates Murray. "We are not one-night-stand types."

18 Welles Supply Co.

Elmira Heights, N.Y.
William Elias, President

1990 Sales: $4 million **Employees:** 18
Average No. of Inventory Turns: 9.1

This general-line supplier services 450 active customers in the southern tier of New York and the northern tier of Pennsylvania. Established by the former owner in 1951, Elias purchased Welles Supply Co. in 1986. The company is currently in the process of implementing EDI and a quality program. But Welles also brings a personal touch to its customer service. "We like to feel the customers can depend on us to help solve their problems," says Elias. "Flexibility is the key word. We are flexible with our customers."

19 Rush More Industrial Supply Co.

Elk Grove Village, Ill.
John Annes, President & CEO

1990 Sales: $1 million **Employees:** 5
Average No. of Inventory Turns: 5

Rush More Industrial Supply Co. currently covers a customer base of 350 within a 75-mile radius of Chicago. With 25% of the general liner's business being value added, customer service is an important component of the company's success. In marketing primarily cutting tools, Rush More prides itself on "keeping delivery promises." Says Annes, "We'll deliver on the same day without a minimum order." Annes founded the business in 1986 after building another distribution business for 35 years.

20 DeLuca Valve & Instrument Co.

Columbia, S.C.
Joe Cheatham, General Manager

1990 Sales: $2.9 million **Employees:** 14
Average No. of Inventory Turns: 3.5

25-year-old DeLuca Valve & Instrument Co. supplies pressure relief valves, pressure and temperature instrumentation, and valve repair to its customer base of 600. The specialty distributor's major markets include pulp and paper, power generation, and various other industrial customers. Cheatham points to DeLuca's technical expertise and flexibility as its strengths. "We're focused on quality products and services and we keep a low overhead," says Cheatham. "We try to be a modern distributor with a specialized market."

21 Indiana Fluid Power

Fort Wayne, Ind.
Richard Hess, President & CEO

1990 Sales: $2.7 million **Employees:** 10
Average No. of Inventory Turns: 4.2

Established in 1976, Indiana Fluid Power focuses on hydraulic and pneumatics product lines. The specialty company targets the electrical, automotive and farming industries in the northern third portion of Indiana. With a customer base of 425 and with 30% of its business being value added, the company prides itself on the service it offers customers. "We take the time to convert items for our customers. It's never a question of having a product for a customer or not having it," says Hess. "I don't think a lot of distributors our size offer this."

22 Mid-South Tool Supply

Memphis, Tenn.
Bobby J. Edwards, President & CEO

1990 Sales: $1.2 million **Employees:** 6
Average No. of Inventory Turns: 7.2

Mid-South Tool Supply Co. marked a 16% increase in sales in 1990 compared to 1989. Such healthy growth came primarily from the power plant and aviation industry—included in the company's active customer base of 285. The six-year-old general liner's product lines include tools and safety equipment. But what sets Mid-South apart from its competitors? "Service—which means more than just having what a customer needs," says Edwards. "It also means billing according to specific customer requirements or finding non-traditional items that a customer needs."

23 Dudley C. Jackson, Inc.

Helena, Ala.
Kenneth L. Jackson, President & CEO

1990 Sales: $4.3 million **Employees:** 25
Average No. of Inventory Turns: 6

A finalist for the 1990 Alabama Senate Productivity Award, Dudley C. Jackson reduced its work force by six employees over the last three years while simultaneously increasing sales from $3.7 million to $4.3 million. The specialty distributor's forte is designing custom finishing systems, such as pumping and paint spraying equipment and centralized lubrication systems. The family business was founded in 1949. "We have enthusiastic employees who constantly strive to SEE," says Jackson, referring to the company's in-house quality program—See Excellence Everywhere.

24 Arcadia Supply, Inc.

Albany, N.Y.
James Sumner, President & CEO

1990 Sales: $3.6 million **Employees:** 15
Average No. of Inventory Turns: 5

Established in 1969, Arcadia Supply, Inc. concentrates on metal and metal cutting tools within a 100-mile radius of Albany. The combination house's 350 active customers are surveyed regularly on their level of satisfaction by the distributor's sales force. "We base our business on small orders, excellent delivery, and a knowledgeable sales staff," notes Sumner. "We will do anything to give our customers what they want. We'll even take overnight trips to pick up materials for them."

25 Sealing Technology Co.

Twinsburg, Ohio
David Williams, President

1990 Sales: $2.25 million **Employees:** 12
Average no. of Inventory Turns: 3.44

(See profile pg. 35)

A market you can't avoid

While it's true that state, local and federal budgets are tighter than ever, some distributors report that sales to government and institutions saved their businesses last year.

By Steve Zurier, Senior Editor

Think you've tapped all your available markets? One segment you shouldn't overlook in these recessionary times is the government and institutions market.

Why? Because municipalities, state government, hospitals, and utilities are some of the most visible potential customers available. Purchases by state and local government alone totalled an estimated $702 billion last year (see illustration). Factor in the billions more spent each year by the federal government, and you're talking about a potential market for your products that's impossible to avoid.

Some distributors have noticed. For example:

- Robert Munson, president of Phillips/Day & Maddock in Cleveland, Ohio, says that government spending on repairs to roads and bridges helped his company offset the dramatic drop in commercial construction last year. Munson looks for local utilities to spend money on plant updates and environmentally-related projects in 1992.
- State and local government contracts account for nearly 40% of total sales at Everett J. Prescott, Inc. in Gardiner, Maine. Company president Peter E. Prescott expects municipalities throughout New England to replace water meters and install backflow programs throughout 1992 and 1993.
- Government and institutional sales account for at least 20% of total business at Carey Machinery & Supply Co. in Baltimore, Md. G. Cheston Carey, the company's president, expects Carey Machinery to maintain that level in 1992 despite tremendous pressures on state, local and federal budgets.

Pros and cons

These three industrial distributors are not the only people pointing out opportunities for the upcoming year. Dag Ryen, Editor of *State Government News*, says that even though 29 states cut spending by a total of $7.5 billion last year, certain projects must move ahead.

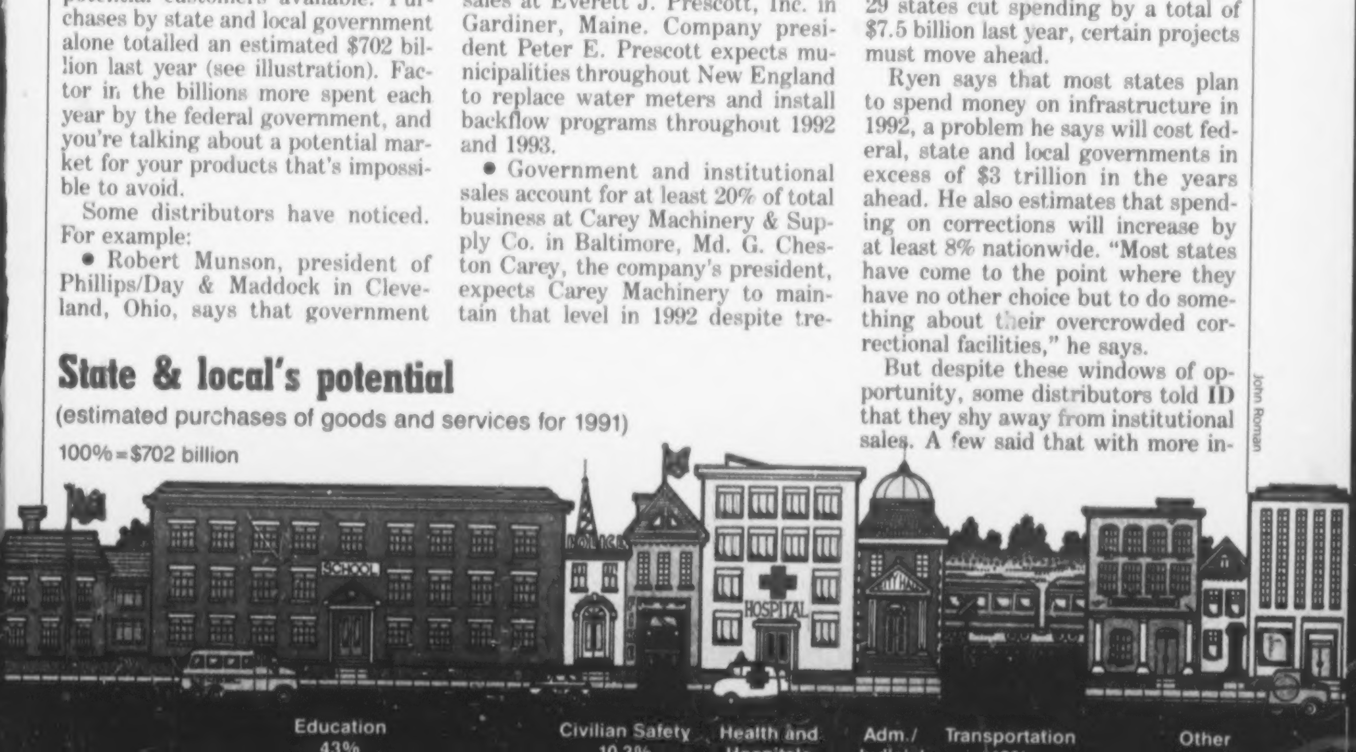
Ryen says that most states plan to spend money on infrastructure in 1992, a problem he says will cost federal, state and local governments in excess of $3 trillion in the years ahead. He also estimates that spending on corrections will increase by at least 8% nationwide. "Most states have come to the point where they have no other choice but to do something about their overcrowded correctional facilities," he says.

But despite these windows of opportunity, some distributors told ID that they shy away from institutional sales. A few said that with more in-

State & local's potential

(estimated purchases of goods and services for 1991)

100% = $702 billion



John Roman

dustrial end users emphasizing total cost over lowest price, they prefer to concentrate on cementing partnerships with major customers. These distributors view the endless bidding involved in government work as a waste of time.

This may explain why in the past five years, the institutional market dipped from being the number one market segment for Industrial Distribution Assn. (I.D.A.) members, to the 11th. But as I.D.A.'s executive vice president Gary Buffington points out, the institutional market, which includes government, hospitals and utilities, is still a leading market for I.D.A. members and other distributors.

"Relative to markets like metals fabrication, chemicals, automotive, and aerospace, distributor sales to the institutional market are down," notes Buffington. But any way you look at it, the institutional market is still an important segment for our members."

Sales tips

If you're going to consider tapping the government and institutional market, take some tips from the experts. Since the company was founded in 1955, Everett J. Prescott, has developed a reputation as one of the most thorough distributors of water, sewer and drain equipment in New England.

According to Peter Prescott, salespeople interested in selling to government must understand that nothing happens until an engineer writes a specification. Therefore, he says, salespeople should get to know the town engineers, as well as the leading engineering firms in their territories.

"The only way to beat the bidding process is to get your product specified up-front by an engineer," he says. "As a salesperson, if you find yourself at the mercy of government bids, you'll never last. The reality of our business is that it can take 10 or 15 years to make a sale. It's very political, and requires that you get to know all the key players in the municipality."

Not only is it political, it takes a salesperson with unlimited patience. According to G. Cheston Carey, institutional sales is a specialty unto itself. He says it requires a salesperson who:

- **Has the patience to ferret out the different buying influences in a bureaucracy.** For example, Carey says there are at least 50 different labs at the Nat'l. Institute of Health, each one with separate plant engineers and maintenance people.
- **Understands the paperwork flow.** Carey says salespeople must be able to weed their way through the myriad rules and regulations.
- **Possesses superior product knowledge.** According to Carey, government specifiers depend on distributors and other vendors to keep them abreast of new technology and to recommend available products and services.
- **Has well-developed time management skills.** Carey says that if a salesperson's not careful, he can waste valuable selling time calling on the wrong people.

But while Carey stresses a methodical approach, Phillips/Day & Maddock's Munson says that in some cases, the beauty of selling to institutions is that there's little or no indirect sales cost.

"In Cleveland, anybody who's interested can go down to city hall and pick up a copy of the projects being bid," Munson says. "Even though the low bidder wins in most situations, government projects are profitable enough that they help cover my fixed costs. Remember, there's no phone sales cost, and the salesman's time is limited as well."

Ultimately, it's up to each individual distributor to decide if it makes good business sense to target the institutional market. Not every market has the potential of a Baltimore/Washington. And Everett J. Prescott's work is very specialized. But with the recession lingering, the government and institutional market just may be the lifeboat you've been looking for.

Purchasing's work flow

The following is an example of a typical work cycle at a government purchasing office.

- **User department recognizes a need to purchase, prepares an inhouse requisition, and forwards to purchasing department.**
- **Purchasing reviews the requisitions for accuracy and completeness. If incomplete, it returns all copies back to user department, noting information needed.**
- **Purchasing checks surplus property to see if there are any excess items which meet the requirements.**
- **If none are available in surplus property, and if the requisition is complete, purchasing checks to see if funds are available. If not available/budgeted, all copies are returned to the user department.**
- **If funds are available and specifications are clear and fair (non-restrictive), purchasing determines the proper purchasing method, i.e., whether telephone quotes are appropriate, or if competitive sealed proposals are necessary, etc.**
- **If bids are not required, as in small purchases or otherwise exempt by statute, price quotations are obtained either by central purchasing or user departments, and a purchase order is prepared.**
- **If bids are required, invitations for bids or proposals are prepared, requesting written bids or offers by a specified date.**
- **Bids are received and tabulated, and the lowest responsive and responsible bid is selected.**
- **Purchasing prepares purchase order, sends original to vendor, one to accounting, and one to the receiving point if different from user department.**
- **Vendor receives order, and submits invoice.**
- **User department inspects delivered products to see if specifications are met. If not met, the vendor is contacted and advised to comply with purchase order, or products are sent back to vendor.**
- **If specifications are met and the bid is otherwise responsive, a receiving report (proof of receipt) is prepared by the appropriate government employee and sent to purchasing.**
- **Purchasing verifies that receiving report and purchase order match up.**
- **Accounting verifies purchase order, invoice and receiving report to see that all three documents match, and pays vendor.**

Source: Nat'l. Institute of Governmental Purchasing

Cutting tools '92: a replay of '91

More of the same. That's what insiders project for cutting tool sales this year.

By George Berkwitt, Editor-at-Large

Distributors and manufacturers, both, expect a less-than-encouraging 1992 in the cutting tool arena. What's needed to survive? Even more conventional services such as timely deliveries, smooth order processing and highly trained salespeople head the list. Also, because the quality of domestic product is a given, sellers must focus even harder on a wider range of services.

And, as it heads into what looks to be just an o.k. year, the industry is ambivalent on the role price will play in '92 cutting tool sales.

On the other hand, professional forecasters are cautiously optimistic. One respected source, which has yet to announce its final conclusions, had forecast a 22% decline in domestic consumption of cutting tools the first three-quarters of '91, but saw an upswing in the final quarter. It estimates sales for all of '91 at $2.9 billion, a drop from '90's $3.5 billion. Sales in '92, this source says, should top $3.19 billion, led by a 10% pickup late in the first quarter, then topping $3.6 billion in '93.

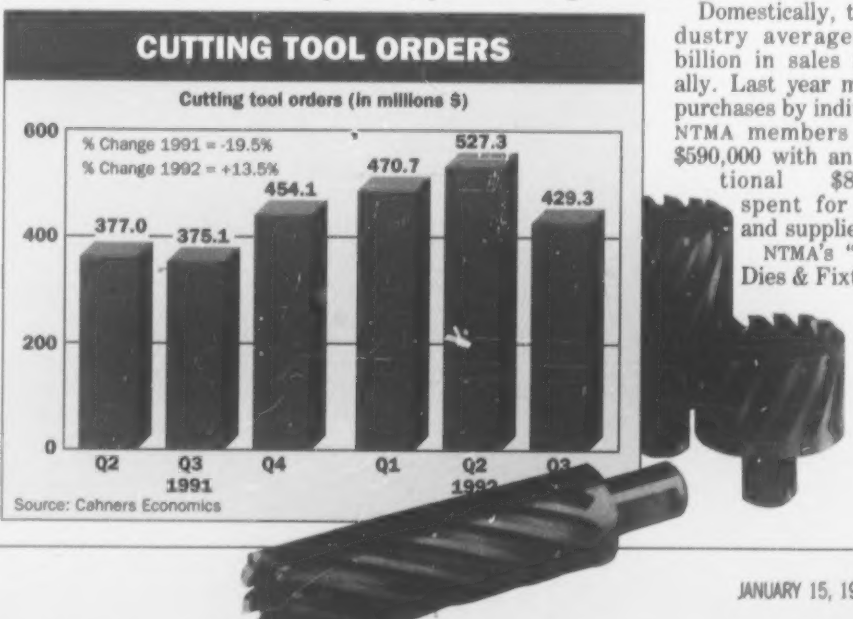
Even more optimistically, and based on cutting tool manufacturers' billings through June, 1991, industry and trade association sales forecaster John DeWolfe projects a 6% increase for '91, 13% in '92 and 15% in '93.

Orders for machine tools for cutting (as opposed to forming) constitute an index of cutting tool sales one or two years in advance, the normal lead times between orders and shipments. Cahners' Economics forecast, issued in September, predicts that, for the quarter ending in January, '93, cutting machine sales will log a hefty 15.4% increase over year earlier levels. An estimated 19.5% decline in 1991 will be followed by a 13.4% increase in '92 and a flat '93.

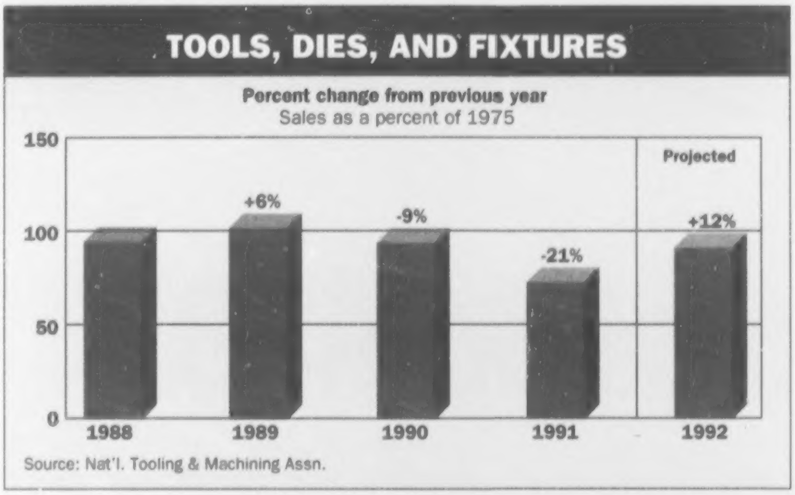
Among the most noteworthy forecasts is that of the National Tooling & Machining Assn. (NTMA) representing 3,100 contract machining, tooling, die, mold, and machining companies which annually buy more off-the-shelf cutting tools and related items from distributors than do most large-volume users.

Domestically, the industry averages $25 billion in sales annually. Last year median purchases by individual NTMA members were $590,000 with an additional $84,000 spent for tools and supplies.

NTMA's "Tools, Dies & Fixtures"

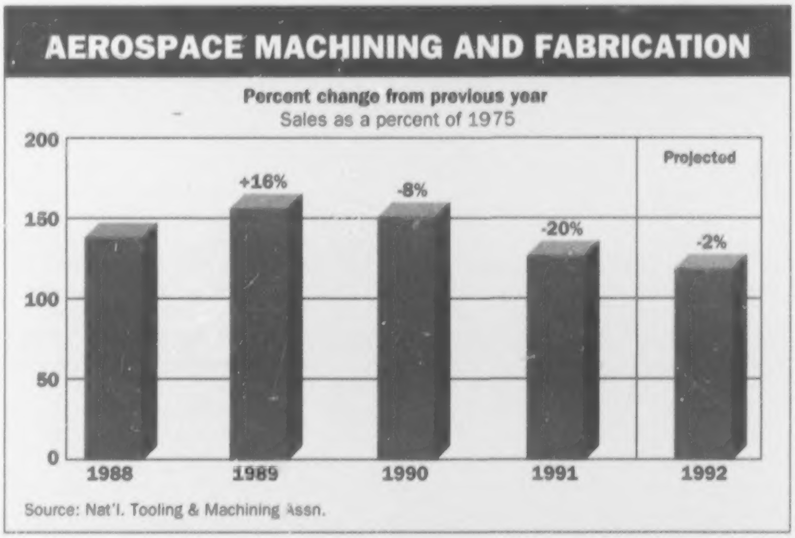


Source: Cahners Economics



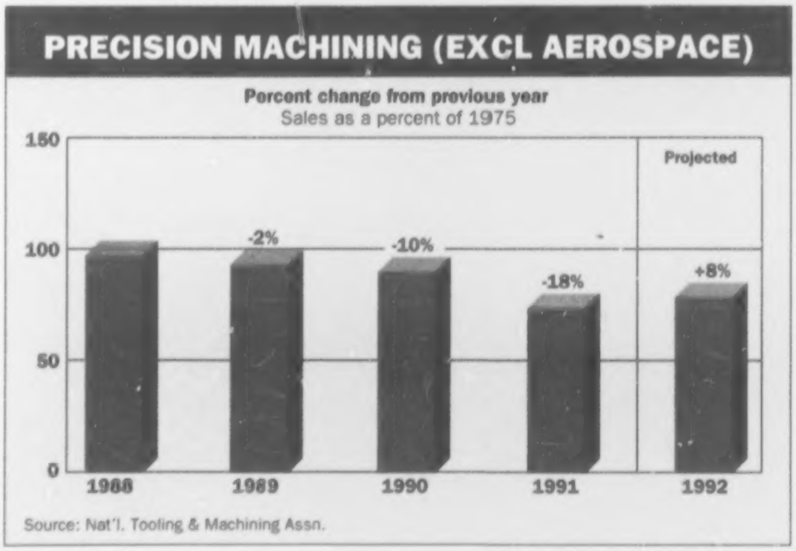
TOOLS, DIES, AND FIXTURES

Source: Nat'l. Tooling & Machining Assn.



AEROSPACE MACHINING AND FABRICATION

Source: Nat'l. Tooling & Machining Assn.



PRECISION MACHINING (EXCL AEROSPACE)

Source: Nat'l. Tooling & Machining Assn.

figures, adjusted for inflation, show a 6% rise in '89 and a 9% decline in '90, followed by a whopping 21% decline last year, with a 12% comeback in '92 expected to reflect increasing sales to the major industries.

In October, Cahners' *Early Warning Forecast* proclaimed "Things are looking good for manufacturing." It predicted that the growth that troughed the third quarter of last year will trend upward and peak in early 1993. Higher capital spending in the non-durable sector through the first quarter of '92 should influence cutting tool and MRO purchases in general. With inventories declining and demand picking up, orders must rise, the forecast concluded.

The vendors' view

Cutting tool makers show little joy over this year's prospects. Raymond E. Putnam, president, Brubaker Tool Corp., sees "no encouraging news that customers will increase purchases of expendable tooling." He predicts that sales will remain stable at '91's low levels. Don Rooke, vice president marketing and sales, American Saw & Mfg. Co., sees light only by the third quarter. He attributes such hope to small scale recovery and an election year.

Paul Jaques, sales and marketing manager, Guhring, Inc., predicts a 5% upturn no sooner than the fourth quarter. Jaques sees "marginal" growth led by automotive-related industries and commercial aircraft manufacturers and contractors.

Growth of the cutting tool market could come from a number of directions. Citing low inventories throughout industry and on distributors' shelves, James A. Deeds, president, Besly Products Corp., sees replenishment and demand increasing for the disposable cutting tool.

Both suppliers and distributors see competing for a larger market share as the key in a flat economy. Sandvik Saws & Tools Co., for one, is moving aggressively to enhance its presence mainly in the new construction and housing markets.

The company steadfastly continues to spend an impressive 4% of sales on R&D. "The outlook may not be encouraging but the markets for cutting tools are still viable," contends James R. Riley, Sandvik vice president of sales and marketing. "You increase market share by aggressive programs to improve quality and service."

Cutting tools

Targeting specific markets can improve the outlook for 1992. Despite the apparent low state of consumer confidence, M.N. Ronan, vice president of sales, Diamond Saw Works, for one, recommends focusing on small to medium manufacturers attuned to consumer products.

Zeroing in on newer industries will help improve the vendor's outlook, says Barry L. Miller, vice president, administration, Cardinal Cutting Tools, Inc. He cites, as examples, medical manufacturing and environmental servicing and fabrication as two of a number of rapidly emerging industries.

The bottom line, warns Miller, is that with the quality of imported tooling steadily improving, "quality at a competitive price is a staple that more buyers will demand." Service will remain critical, he adds, as fewer users accept overstuffed tool and supply inventories.

Although exporting is relatively rare among American distributors, it looms large as a means of developing new markets in '92 and beyond. Trading conditions for some industries are favorable, notes Miller. He cites the trade agreements with Canada and Mexico, and "the tumultuous conditions of Europe." Wayne A. Widell, president, Widell Industries, Inc., agrees, adding "the dollar is still a bargain." Untapped markets need to be explored, says Widell. Cuba and the ex-Warsaw Pact countries are two such strong possibilities, he feels.

'The outlook may not be encouraging, but the markets for cutting tools are still viable.'—Riley

The imperatives

With machine tool and metalworking technology advancing as fast as computers in the industrial workplace, users will demand more technical expertise from their vendors. William Derville, president, General Tools & Supply Co., Portland, Ore., warns of a need for distributors and manufacturers to start developing state-of-the-art tooling specialists who will support the more generalized salesperson.

Manufacturers are already setting new priorities for competing, according to Guhring's Paul Jaques. He notes that the focus is currently on new tool technology and product introductions aimed at improving tool performance and reducing the cost of manufacturing the workpiece. He cites the General Motors Saturn plant's "lifetime" agreement with Metalcutting Tool Management to provide teams of experts who will monitor Saturn's tool cribs to optimize choices and performance of the customer's cutting tools and to maintain its cutting tool inventories (**ID**: October, 1991).

The pickup in cutting tool sales will be slow due to oversupply and general economic ennui, concludes James L. Packard, president of the 100-company-member U.S. Cutting Tool Institute. Packard, president and CEO of Regal Cutting Tool Div., feels that the current trend in consolidations will continue and create a better balance between domestic capacity and demand. ID

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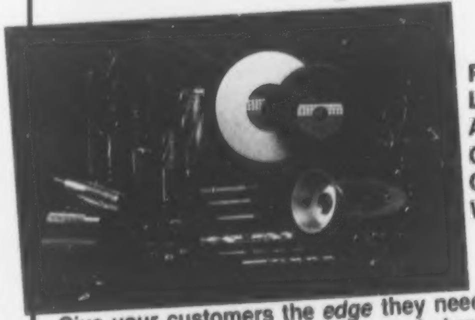

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► CIRCLE NO. 33

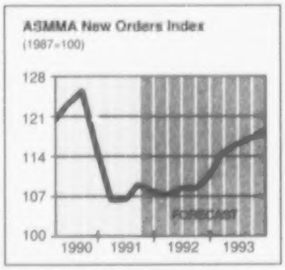
6

By Susan E. Farris

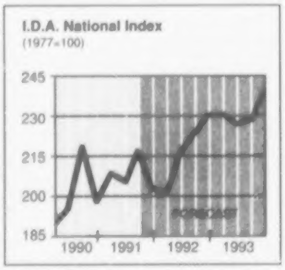
Moderate OEM and auto expansion

Expect an added boost from purchases that were deferred last year.

The fourth quarter of 1991 proved to be disappointing as many economic indicators stopped advancing and started flattening and declining. The I.D.A. index of national distributor sales plunged 10.4% in October, after three straight months of steady increases. Although the heavy machinery and auto markets saw growth slow down during the end of 1991, the outlook is moderately good for 1992. Purchases of durable goods and capital equipment are forecast to rise towards the middle of the year, once the economic expansion is underway.


ASMMA New Orders Index
(1987=100)

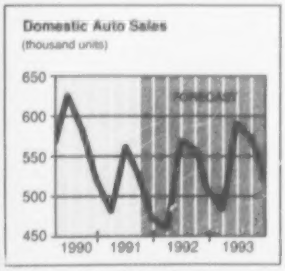
Data source: ASMMA
Forecast source: Cahners Economics


I.D.A. National Index
(1977=100)

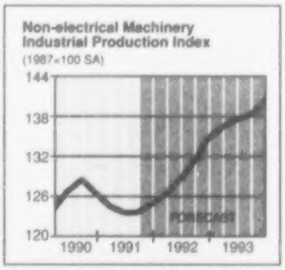
Data source: I.D.A.
Forecast source: Cahners Economics

U.S. automakers are facing a sluggish economy and weak demand for big ticket items from consumers. Auto sales in 1991 were uneven at best. Although '92 model introductions helped increase September to October sales by 5.6%, total '91 sales will fall 11.1% below 1990 levels. This translates to just 6.1 million units. The last time auto sales reached such lows was during the 1982 recession. Although the auto industry will continue to cutback its production schedule in 1992, sales are forecast to increase 2.4% over 1991 in light of improving consumer confidence. Once the recovery is fully underway in 1993, auto sales are expected to rise 3.4%.

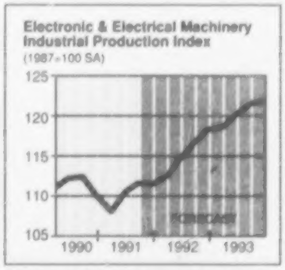
The original equipment machinery and components (OEM) industries are forecast to more than make up for last year's decline in output, rising 4.6% in 1992. After posting several months of considerable gains, output in all five sectors (fabricated metals, non-electrical and electrical machinery, transportation equipment and instruments) began leveling off towards the end of 1991. Nevertheless, by the middle of 1992, a strong injection of capital spending should provide the demand for the OEM sector. The electronics markets will be the strongest sector in 1992, with output forecast to rise 6.1%. Non-electrical machinery and fabricated metals will follow closely behind, expanding 5% and 4.8% in 1992. The transportation equipment and instruments categories will expand somewhat more slowly, but still gain more than 3% each in terms of output. Although the recovery started to stall out towards the end of 1991, the outlook is for a moderate recovery in both the heavy machinery and auto industries in 1992.


Domestic Auto Sales
(thousand units)

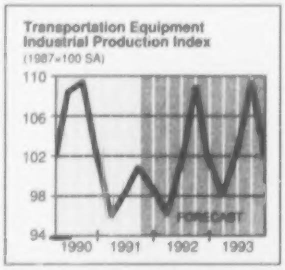
Data source: Motor Vehicles Manufacturers Assn
Forecast source: Cahners Economics


Non-electrical Machinery Industrial Production Index
(1987=100 SA)

Data source: Federal Reserve Board
Forecast source: Cahners Economics


Electronic & Electrical Machinery Industrial Production Index
(1987=100 SA)

Data source: Federal Reserve Board
Forecast source: Cahners Economics


Transportation Equipment Industrial Production Index
(1987=100 SA)

Data source: Federal Reserve Board
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	Oct. 1991	Sep. 1991	Oct. '91 vs Oct. '90 % change	Oct. 1991 days	Sep.-Oct. 1991 % change
TOTAL	197.6	220.5	−3.9	38.3	−1.4
EAST	186.4	184.6	+6.8	41.9	−1.1
SOUTH	318.8	390.5	+16.1	36.1	−1.8
CENTRAL	144.5	145.6	−20.0	39.6	−2.9
WEST	202.5	208.3	−2.0	34.0	+0.7

SOURCE: Industrial Distribution Assn.

C1850-4A

FEB.
1992

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INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

ABRASIVES
Does loyalty count?
p. 19

MRO program pours $$ to Bethlehem's bottom line PAGE 22

Using software to balance inventories p. 28

Implementing new health care plans p. 58

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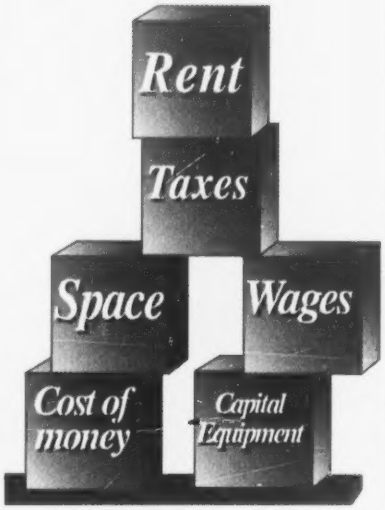
JEANNE LONG, SRI AQUIS EDITOR
CONGRESSIONAL INFORMATIO
SERVICE, INC.
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

Facing long-term and stiff competition, key players in the abrasives sector share candid insights.—p. 19

When distributors analyze what can be done to control costs, pouring steel becomes more productive.—p. 22



Fixed and variable costs are key elements you need to account for in realistic inventory management formulas.—p. 28

FEB. 1992

A CAHNERS PUBLICATION

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28 Software helps you keep stocks level
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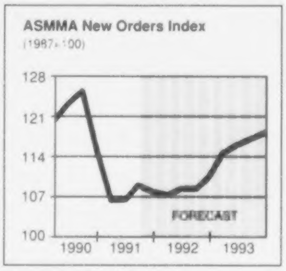
By Susan E. Farris

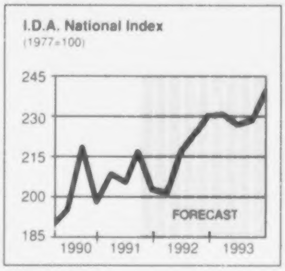
Manageable distribution costs for '92

Stable inventory carrying costs and mild inflation for warehousing costs anticipated.

With forecasts calling for a modest manufacturing expansion and a 4.7% rise in the I.D.A. sales index for 1992, industrial distributors will have to concern themselves with managing their distribution costs. Distributors can expect low inflation in 1992 to push inventory costs up. Labor and equipment expenses are also forecast to rise this year. However overall distribution costs should increase only moderately in 1992.


ASMMA New Orders Index

Data source: ASMMA
Forecast source: Cahners Economics

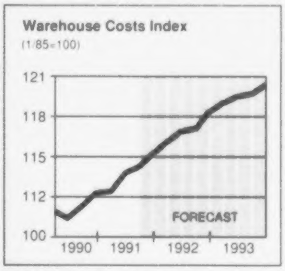

I.D.A. National Index

Data source: I.D.A.
Forecast source: Cahners Economics

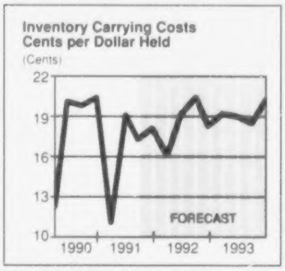
Expect inventory costs to remain low this year. Inventory carrying costs, defined as the opportunity cost of holding liquid assets, include capital costs, inflation costs and obsolescence costs. Since the mid-1980s inventory costs have hovered between 15 and 20% of the value of goods held. Despite improvements in inventory turnover, low inflation has increased the cost of holding goods. In 1991 inventory carrying costs averaged just under 14 cents per dollar held of inventory. With inflation down and financing rates expected to rise, the forecast calls for inventory costs to grow to over 18 cents on the dollar in 1992. This is low relative to historical standards, when high interest rates pushed inventory carrying costs to over 25% of the value of goods. By 1993 carrying costs will creep up to just over 20 cents per dollar of inventory held.

Warehousing costs include items such as the expense of labor, space, fuel, equipment and packaging. These costs have crept up over the past few years, but at an annual rate of less than 3%. This is primarily due to sharply higher productivity gains in materials handling and storage, and better inventory control. Warehousing costs rose more slowly than inflation in 1991, drifting up just 2.4%. While labor and equipment expenses are both forecast to be higher in 1992, they will be offset by lower fuel and space rental costs. So, expect warehousing expenses to rise 2.8% in 1992.

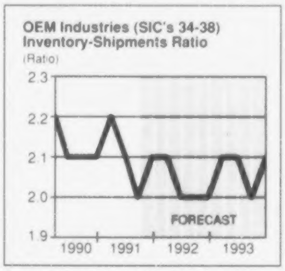
The annual Cahners 1992 Economics Outlook is now available. This 50+ page report features forecasts for the general economy, as well as over thirty industrial and service industries. Readers can order for $21 by sending check with name and address payable to Cahners Economics, P.O. Box 59, New Town Branch, Boston, Mass. 02258-9908.


Warehouse Costs Index

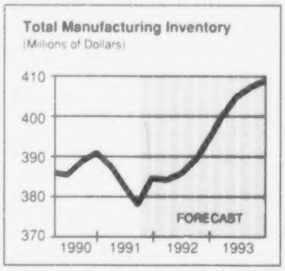
Data source: Cahners Economics
Forecast source: Cahners Economics


Inventory Carrying Costs
Cents per Dollar Held

Data source: Cahners Economics
Forecast source: Cahners Economics


OEM Industries (SIC's 34-38)
Inventory-Shipments Ratio

Data source: Commerce Department
Forecast source: Cahners Economics


Total Manufacturing Inventory

Data source: Department of Commerce
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1977=100)	Nov. 1991	Oct. 1991	Nov. '91 vs Nov. '90 % change	Nov. 1991 days	Oct.-Nov. 1991 % change
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SOUTH	306.0	318.8	+12.9	41.4	+2.4
CENTRAL	158.4	144.5	−10.1	43.1	+0.3
WEST	208.0	202.5	−3.3	36.4	+0.3

SOURCE: Industrial Distribution Assn.

C1850-4A

MARCH 1992

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INDUSTRIAL DISTRIBUTION®

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

DON'T MISS!
Hand tool merchandising p. 31

Distributors save press maker $400K

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How to sell to the pvf market

p. 35

Turn your phone into a profit center

p. 27

The Daily Distribut

VOL. XX/#X

MARCH 1, 1992

Distributors join forces to help Heidelberg Harris

By Steve Zurier,
Senior Editor

It all started with Mickey Sharp's search for a better way to buy industrial supplies. Sharp, a contracting agent with Heidelberg Harris' purchasing department in Dover, N.H., was determined to reduce leadtimes, streamline paperwork and eliminate obsolescent inventory. But while he had specific goals in mind, precisely how to accomplish them was not as clear.

Originally, Sharp wanted to reduce his distributor base from 45 to one. He contacted five

with specific proposals. After careful review, Sharp determined that no single industrial distributor had the expertise to handle all his requirements. He then challenged the three contenders to come up with something more creative. After all, close to $3 million-a-year in OEM and MRO product was at stake. Sharp firmly believed that there had to be a way to get a group of key distributors to cooperate.

There was. Specialty Bolt's Kevin Queenin, one of the distributors interested in Sharp's cooperative concept, went to work.

MARCH 1992
A CAHNERS PUBLICATION
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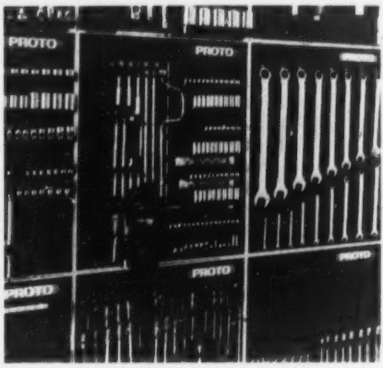
Mickey Sharp has found Heidelberg Harris a better way of buying.—p. 20

Get on-line with the future by tapping into a hot sales tool.—p. 27



Customers won't buy hand tools unless they know you've got 'em.—p. 31

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20 Distributors join forces to help Heidelberg Harris
Reduced leadtimes. Streamlined paperwork. Eliminated obsolete inventory. Welcome to customer service in the '90s—and here's the concept in action.

27 Phone Magic
Effective organization and good management are key traits of those 20% of all telemarketing programs that succeed for longer than two years.

31 Winning the hand tool wars
These days, you have to do more than simply stock hand tools. You've got to be bold, flexible and smart about grabbing the buyer's attention.

35 Selling pvf for profit
If you want to fit into the valve and accessories pipeline, make sure that you're flexible and available to handle emergencies—pronto!

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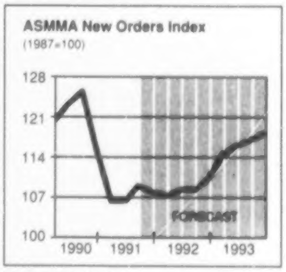
By Susan E. Farris

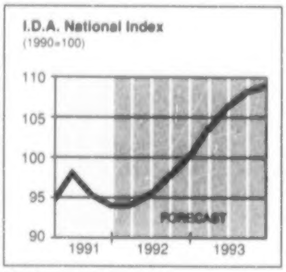
Growth for non-electrical machinery

Environmental regulations, exports, and pent-up demand will be the main driving forces.



ASMMA New Orders Index
(1987=100)

Data source: ASMMA
Forecast source: Cahners Economics



I.D.A. National Index
(1990=100)

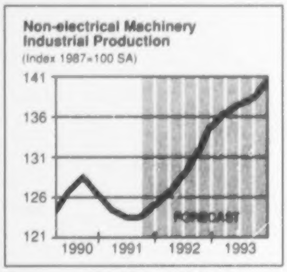
Data source: I.D.A.
Forecast source: Cahners Economics

Makers of non-electrical machinery were hurt by slow demand from U.S. markets last year. After seven years of robust growth, machinery output declined 1.9% in 1991. Total manufacturing capacity lingered below 80% for 1991, a level at which most manufacturers begin buying new equipment. This combined with a 4% fall in corporate profits for the year added up to a 2.3% decline in total manufacturing plant and equipment spending in 1991.

However, several factors are acting in favor of increased machinery demand for 1992. Higher spending on equipment to comply with pollution control legislation will call for major retooling, spurring demand for new machinery. The chemical and oil industries in particular are expected to be heavily spending on new equipment in order to comply with the Clean Air Act. Legislation mandating higher auto fuel economy means greater demand for machinery from auto makers. Finally, the planned North American free trade agreement will open doors for greater exports of non-electrical machinery in 1992 and beyond.

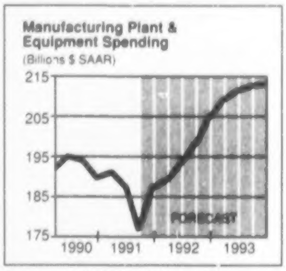
As the economic expansion heats up, manufacturing operating rates are expected to slowly creep up to 80% by mid-year, and reach 81.6% by the end of 1992. This, coupled with manufacturing capital spending forecast to grow 4.4% this year, should provide a good portion of the demand for non-electrical machinery. As producers find they need to replace existing equipment and expand capacity, production of non-electrical machinery is projected to grow 5.1% in 1992. The stronger components of non-electrical machinery are forecast to be engines and turbines, farm machinery and metalworking machinery, all of which are expected to show above average growth relative to total industrial output.

Non-electrical machinery will profit from growing overseas demand. In fact, the fastest growing markets for machinery are outside the U.S. Despite the economic slowdown last year in many of U.S. overseas markets, exports of capital goods surged 8.7% in 1991. Most countries already show signs of recovery, so expect capital goods exports to expand a further 7.6% in 1992.



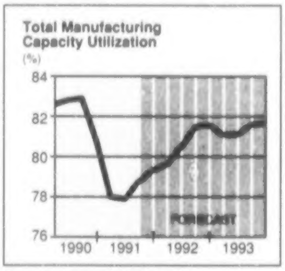
Non-electrical Machinery Industrial Production
(Index 1987=100 SA)

Data source: Federal Reserve Board
Forecast source: Cahners Economics



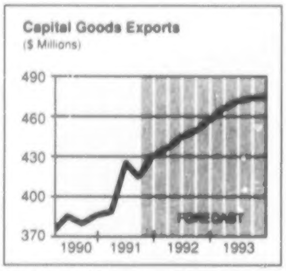
Manufacturing Plant & Equipment Spending
(Billions $ SAAR)

Data source: Commerce Department
Forecast source: Cahners Economics



Total Manufacturing Capacity Utilization
(%)

Data source: Federal Reserve Board
Forecast source: Cahners Economics



Capital Goods Exports
($ Millions)

Data source: U.S. Department of Commerce
Forecast source: Cahners Economics

	SALES			RECEIVABLES	INVENTORY
(1990=100)	Dec. 1991	Nov. 1991	Dec. '91 vs Nov. '91 % change	Dec. 1991 days	Nov.-Dec. 1991 % change
TOTAL	86.2	89.7	−3.9	N/A	N/A
EAST	91.5	87.5	4.6	N/A	N/A
SOUTH	87.5	92.3	5.2	N/A	N/A
CENTRAL	84.5	91.1	7.2	N/A	N/A
WEST	81.1	84.9	4.5	N/A	N/A

SOURCE: Industrial Distribution Assn.

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APRIL
1992

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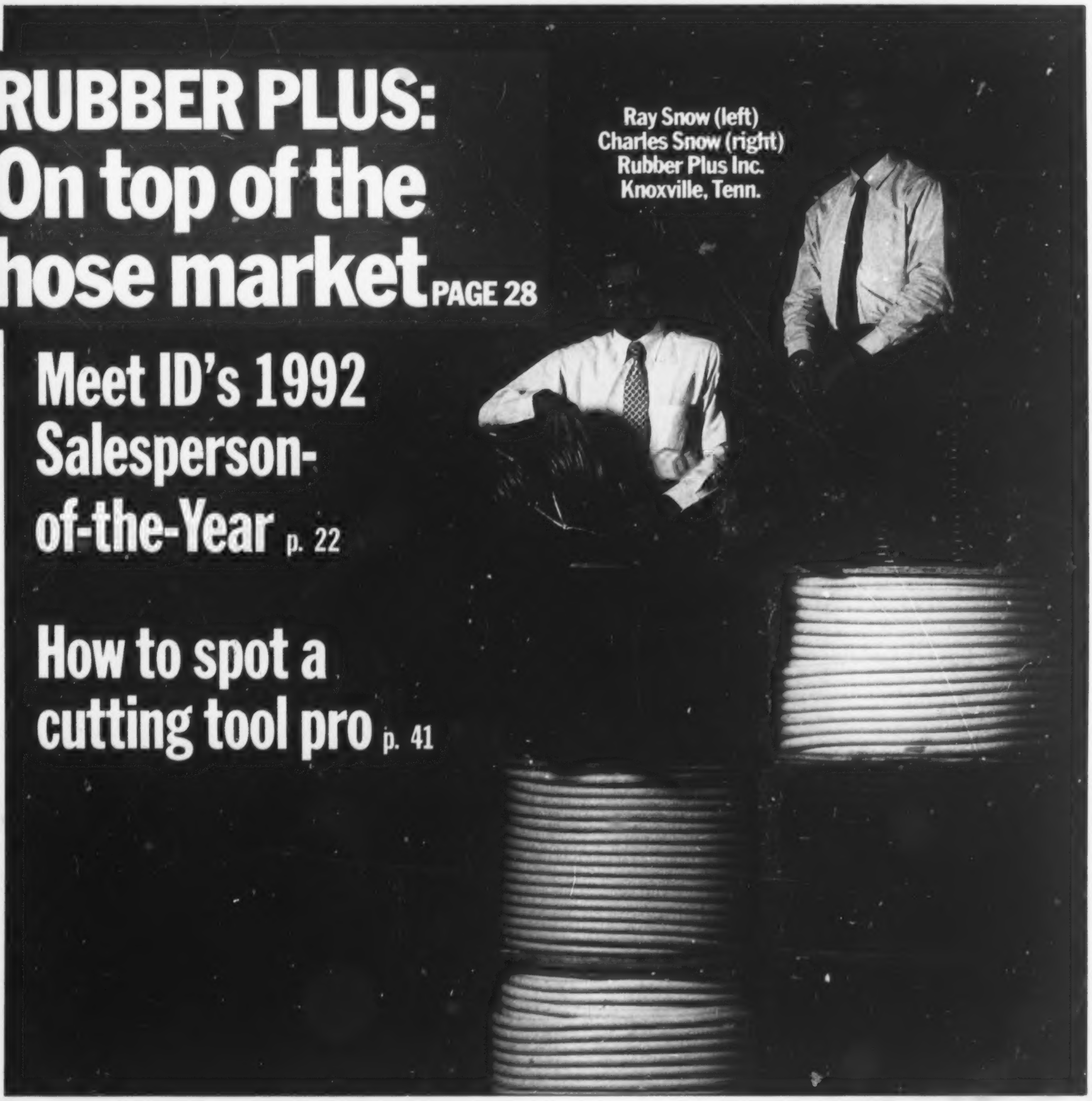
EXCLUSIVE
Fastener law bogged down p. 12



Ray Snow (left)
Charles Snow (right)
Rubber Plus Inc.
Knoxville, Tenn.

RUBBER PLUS: On top of the hose market PAGE 28

Meet ID's 1992 Salesperson-of-the-Year p. 22

How to spot a cutting tool pro p. 41

APRIL
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22 Good salespeople never give up
ID's Salesperson of the Year has a glass that's always at least half full. And in Detroit, that takes award-winning drive and tenacity.

28 These Snows know hose
Sixteen years ago, Ray and Charles Snow acquired start-up capital without having a back-up business plan. Their performance proves they didn't need one.

33 Making ends meet
Volatile, shifting markets are forcing hose and accessories distributors to change their business philosophies in order to stay even or, for the fortunate, to grow a bit.

41 How to spot a specialist
A cutting tool expert has to wear lots of hats. But in today's market, few of them resemble traditional sales attire.

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Indiana tragedy claims nine of distribution's own.

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Recovery begins in materials handling sector.

70 Clifton's View
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NEXT MONTH: How to get paid for value-added service.

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Wallace files; I.D.A. sales drop; Briggs retires; Reynolds grows; SKF moves.

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Gene Shaeffer's winning sales style includes always asking for the order and never giving up.—p. 22

"Cholly" Snow began in manufacturing, but he's got a knack for distributing hose.—p. 28

Look to the nearest hat rack for guidance on how to spot a top-flight cutting tool sales pro.—p. 41

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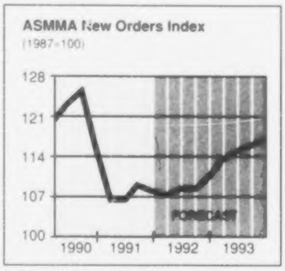
By Susan E. Farris

Materials handling aims at recovery

Industry will not recover last year's loss before 1993, however.

The materials handling industry suffered an 8.6% drop in output in 1991, its worse performance since 1983. Demand for materials handling equipment dwindled last year as manufacturers cut back their purchases during the recession. New orders of conveying equipment plummeted 14.6% in 1991, while orders of lift trucks fell off a more modest 1.9%. After shrinking 1.9% in 1991, industrial production is forecast to start expanding in the second quarter of '92. Since materials handling output lags overall production by three to six months, expect growth in the materials handling segment towards the end of 1992.

The materials handling industry is expected to benefit from the current economic conditions. Interest rates have tumbled to their lowest levels in twenty years, freeing up capital and increasing the prospects for new spending projects. Domestic manufacturers will strive to keep their operations efficient particularly when faced with growing demand later this year. As a result, expect manufacturers to boost spending on materials handling equipment in order to lower their inventory turnover and costs, and in turn speed up the production process. These factors, combined with last year's deferred purchases will translate into a 1.2% rise in output of materials handling equipment in 1992, followed by a 7.5% surge in production for 1993.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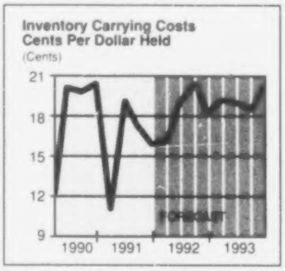
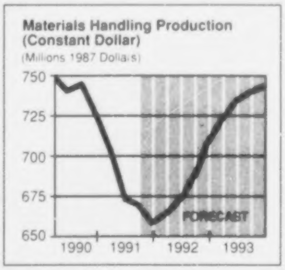

Inventory Carrying Costs Cents Per Dollar Held
(Cents)

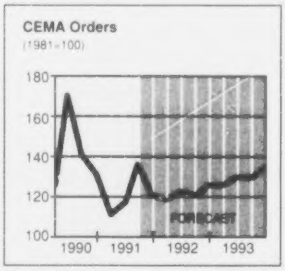
Data source: Cahners Economics
Forecast source: Cahners Economics

New orders of lift trucks started to pick up at the beginning of last year. Although orders dropped 1.9% in 1991, they are forecast to expand 2.8% in the first quarter of 1992 alone. Lift trucks orders are forecast to grow 6.8% for 1992. Conveying equipment orders are currently running about 15% below their 1991 levels and will not recover until mid-1992, when they will rise 0.5% for the year. Caster manufacturers, cabinets and shelving can expect to recoup last year's 10% drop in orders. By 1993, new orders of conveying equipment are expected to increase 6.7%.

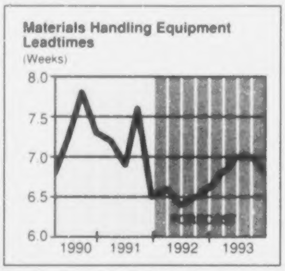
Materials handling equipment averaged 7.0 weeks in 1991. Leadtimes started shrinking towards the end of last year and are forecast to remain fairly stable for most of 1992. Expect leadtimes to hover around 6.5 weeks this year, stretching to seven weeks in 1993.


Materials Handling Production (Constant Dollar)
(Millions 1987 Dollars)

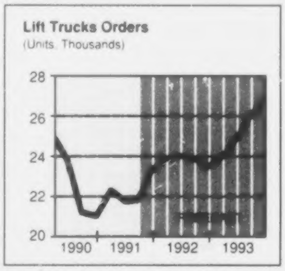
Data source: Federal Reserve Board
Forecast source: Cahners Economics


CEMA Orders
(1981=100)

Data source: CEMA
Forecast source: Cahners Economics


Materials Handling Equipment Leadtimes
(Weeks)

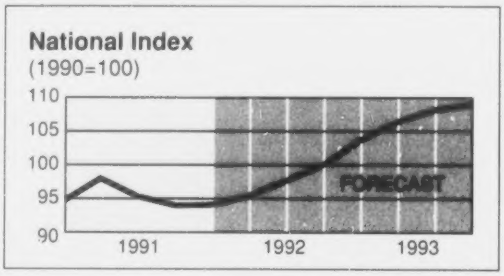
Data source: *Purchasing Magazine*
Forecast source: Cahners Economics


Lift Trucks Orders
(Units, Thousands)

Data source: Industrial Trucks Association
Forecast source: Cahners Economics

I.D.A. REPORT

SALES (1990=100)	Jan. 1991	Dec. 1991	Jan. '92 vs. Jan. '91 % change
TOTAL	95.2	86.2	−1.9
EAST	93.3	91.5	−1.8
SOUTH	99.1	87.5	3.2
CENTRAL	96.7	84.5	−3.8
WEST	87.6	81.1	−7.0


National Index
(1990=100)

SOURCE: Industrial Distribution Assn.

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MAY
1992

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INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

SPECIAL

Hand Tool Safety p. 35HT

Shouldering the health care burden PAGE 26

Kennametal phases out Garrett p. 10

How to make them pay for value added p. 30

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THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

21 Winning the hand tool wars
In the showroom, in the plant and through the mail—clever merchandising earns the buyer's trust.

26 Shouldering the burden
Escalating health care costs are enough to make you sick. Here are some remedies.

30 Do you charge for value added?
Maybe giving away expertise or technology does win customer loyalty. Maybe buyers see such service as being worth the price they've paid for it.

35HT Hand Tool Supplement
May is Hand Tool Safety Month. Mark the occasion by referring to this comprehensive list of resources and safety tips.

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Salem Tool's Nick Powell typifies distribution's struggle with health care.—p. 26

END MILLS
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If there's no free lunch, then why is there free engineering?—p. 30

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Nominations for the 1992 *Trailblazer* are due at PTDA headquarters by May 22. Customer contact information is due June 15. 1992 winners will be announced November 5 at the association's Annual Convention in Reno, Nev. For full details, contact PTDA at (708) 825-2000. ID

Badger Fastener pursues ISO 9000

FRANKLIN, WIS.—To market itself more effectively to OEM's that sell globally, as well as to prepare for the final passage of *The Fastener Quality Act*, Badger Fastener & Supply recently hired Mary Ehrecke as its Director of Quality.

Judd S. Glow, the company's vice president of sales and marketing, notes that one of Ehrecke's main tasks will be to develop a quality program that conforms with the requirements of ISO 9000—the European quality standard.

"We do business with OEM's that sell their products in the European market," Glow says. "While they haven't said it directly, it's been made implicitly clear that if distributors expect to do business with major exporters, they had better deliver ISO 9000-level quality."

According to Glow, Ehrecke is well prepared for the job. Ehrecke's background includes an MBA degree and over 15 years of quality management experience with Caterpillar, Inc., Rockwell International and J.I. Case. She is also a Certified Quality Engineer and Certified Quality Auditor.

Ehrecke's plan is to aggressively implement a quality assurance management program at every level of the company—from inventory control and shipping to computer systems and sales management. Her goal is for Badger Fastener to be accredited as an ISO 9000 supplier by the second quarter of 1993.

"The record keeping and traceability requirements of the *Fastener Quality Act* are highly compatible with the ISO 9000 standards," she says. "While the ISO requirements are seen in Europe as a minimum standard, they are still much higher than the average U.S. distributorship and will make us a much more competitive company." ID

MHEDA tracks relations with suppliers

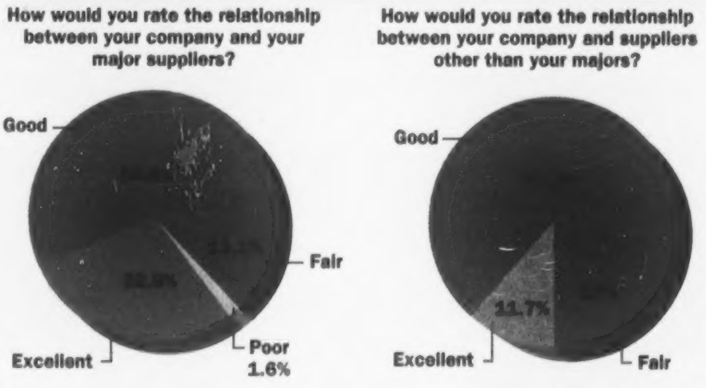
VERNON HILLS, ILL.—Are relations between manufacturers and distributors as strong as they should be? A recent "Hot Button" survey by the Material Handling Equipment Distributors Assn. (MHEDA) finds that the relationship is as healthy as ever.

The survey, which was based on 250 member responses, reports that a whopping 85.3% of respondents rate relations with major suppliers as either good or excellent. Similarly, when asked to evaluate relations with secondary suppliers, 82% also say they are either good or excellent. "The manufacturer/distributor relationship gets bad press," says Dan Reilly, MHEDA's executive vice president. "But as far as I'm concerned, it's been strong for years."

Reilly says that the survey, released in mid-March, contains a comprehensive overview of the material handling industry. Topics covered include company performance and profitability, industry growth, perpetuation and succession plans, and education.

According to Reilly, the survey was sent out automatically to members who filled out the questionnaire. The cost is $20 to members who did not respond and $40 to non-members. ID

THE LOVE AFFAIR CONTINUES



Source: MHEDA

Based on responses from 250 MHEDA members.

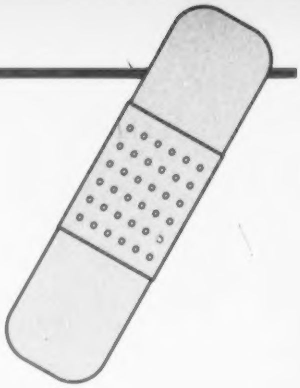
Seminar teaches how profits grow

LANSING, MICH.—Datanational, developer of distribution management software for IBM mid-range systems, has set a full-day, hands-on workshop that will focus on increasing distribution profits. The seminar is offered in conjunction with the National Assn. of Wholesaler-Distributors (NAW) and co-sponsors IBM and Rehmann Robson.

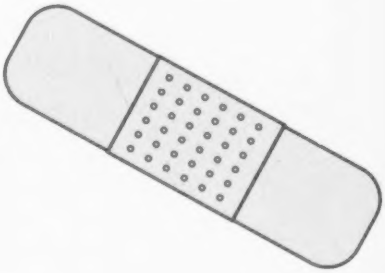
Led by H. Lee "Buck" Mathews, director of NAW's Wholesale Distribution Executive Management Courses at Ohio State Univ., the session convenes May 21 in Toledo, Ohio. Scheduled topics include:

- Handling ever-shortening product life cycles;
- Improving service without increasing costs;
- Evaluating product and customer profitability;
- Profiting from information management;
- Rating your company's performance.

Mathews has been featured at numerous NAW seminars and workshops around the country. Among the popular textbooks he's written are *Marketing Analysis and Decision Making for Industrial Distributors* and *Strategic Planning and Product Development*. ID



Hand tools safety alert!

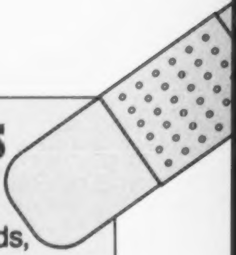


Probably no items on the distributor's and retailer's shelves are as important among professional mechanics as hand tools. Each year, more than $4 billion worth of hand tools are added to the millions already in use in the U.S. Because hand tools are so readily available, and because they seem more versatile than they have been designed to be, even pros misuse or abuse them, damaging work or, worse yet, injuring themselves. According to the U.S. Consumer Product Safety Division, the number of injuries requiring hospital treatment due to misuse of common hand tools has topped 110,000 annually.

Using a hand tool for a purpose other than that intended by the manufacturer, or using an abused or damaged tool, exposes the user to injury. No abused or damaged tool is safe. On record as causing accidents, many of them serious, are cracked or dulled blades, broken or bent handles, stripped or misaligned jaws, and loosened and overtrained parts.

This supplement is a sampling of HTI's continuing, 22-year campaign to educate hand tool users on the safe and proper treatment of hand tools. Included is a section with basic instructions on do's and don't's for common hand tools, as well as a tear-out sheet of safe practices. A list of HTI's booklets, wall charts and other hand tool safety aids is also included, as is handy ordering information.

Considering all of the negatives—personal injury, the high cost of treatment or hospitalization, lost time, damaged work pieces, the drop in productivity—hand tool safety should never be out of mind of any tool user. It should concern every employer, employee and journeyman.



WHAT HURTS THE MOST

Injuries, in thousands, by hand tool type.

Hammers: 49,469
Pliers, wire cutters or wrenches: 14,556
Screwdrivers: 14,041
Other manual workshop tools: 11,296
Awls, chisels or planes: 10,388
Hand saws: 8,147
Vises or workshop clamps: 2,003

Based on 1990 estimates of hand tool-related injuries requiring hospitalization or treatment in hospital emergency rooms.

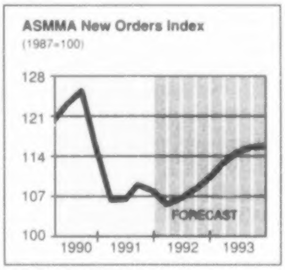
Source: U.S. Product Safety Commission

By Susan E. Farris

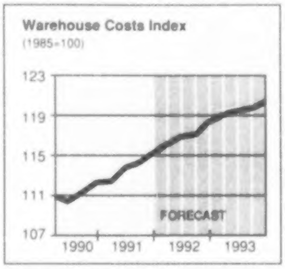
Construction markets see better '92

Construction spending rises again in response to favorable economic conditions.

Low interest rates, pent-up demand and a modest economic recovery beginning mid-year will ensure that construction markets and those serving them see a big improvement in 1992. Last year was the first decline in overall construction spending in nine years. Following a sharp 9.5% decline last year, total new construction spending is forecast to rise 5.9% in 1992. With this year's economic recovery comes strong growth in residential construction, although non-residential building will continue to fade and infrastructure work will gain modestly. Distributors can expect increased demand for heavy machinery and equipment and building supplies to last well into 1993. Non-residential construction spending plunged 10.9% in 1991 and is expected to fall a further 2% in 1992. Most of the weakness is concentrated in the commercial sector (office, retail and hotel), which was excessively overbuilt during the 1980s and is forecast to decline sharply this year. Industrial construction spending is also unlikely to increase much in 1992 as manufacturing operating rates are running low and industrial vacancy rates high. However, robust growth in institutional construction spending will bolster the non-residential sector. Expect a 10.5% increase in non-residential construction spending in 1993.



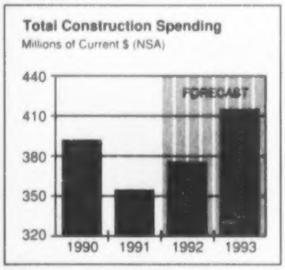
Data source: ASMMA
Forecast source: Cahners Economics



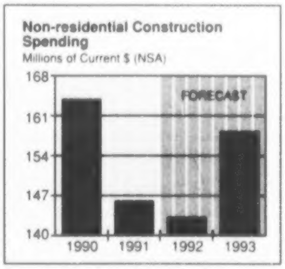
Data source: Cahners Economics
Forecast source: Cahners Economics

Housing starts reversed their downward trend in June of 1991 and have been rising steadily ever since. Lower mortgage rates have caused a resurgence in buyers of new homes, and the likely passage of home buyer incentives will further spur the residential market. The outlook for 1992 calls for housing starts to grow 25% over last year's record low of 1.0 million starts and for residential construction spending to surge 15%.

Much needed infrastructure improvements will update highways, bridges, water and sewer systems, and other public works. Although huge government deficits will somewhat limit spending on these projects, the transportation bill passed by Congress last November will provide a boost to highway construction over the next five years. Distributors can expect heavy construction spending to grow 7.4% in 1992 and a further 11.6% in 1993.



Data source: Commerce Department
Forecast source: Cahners Economics



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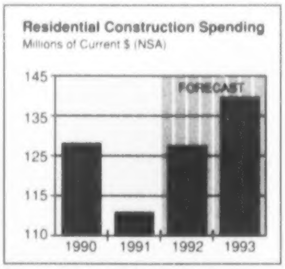

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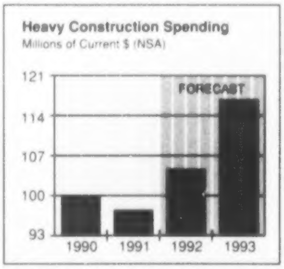
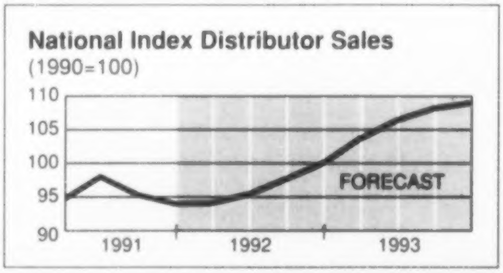


Data source: Commerce Department
Forecast source: Cahners Economics

I.D.A. REPORT

SALES (1990=100)	Feb. 1992	Jan. 1992	Feb. '92 vs. Jan. '92 % change
TOTAL	93.0	95.2	−2.3
EAST	92.1	93.3	−1.3
SOUTH	95.3	99.1	−3.8
CENTRAL	94.6	96.7	−2.2
WEST	85.5	87.6	−2.4



SOURCE: Industrial Distribution Assn.

JUNE 15
1992
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INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

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Toronto hosts 4th I.D.C.
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TOP 5 The biggest in the business
p. 37

Defense cuts [illegible] distributors p. 56

New ASMMA and I.D.A. leaders, John Lachat and Don Ruggles

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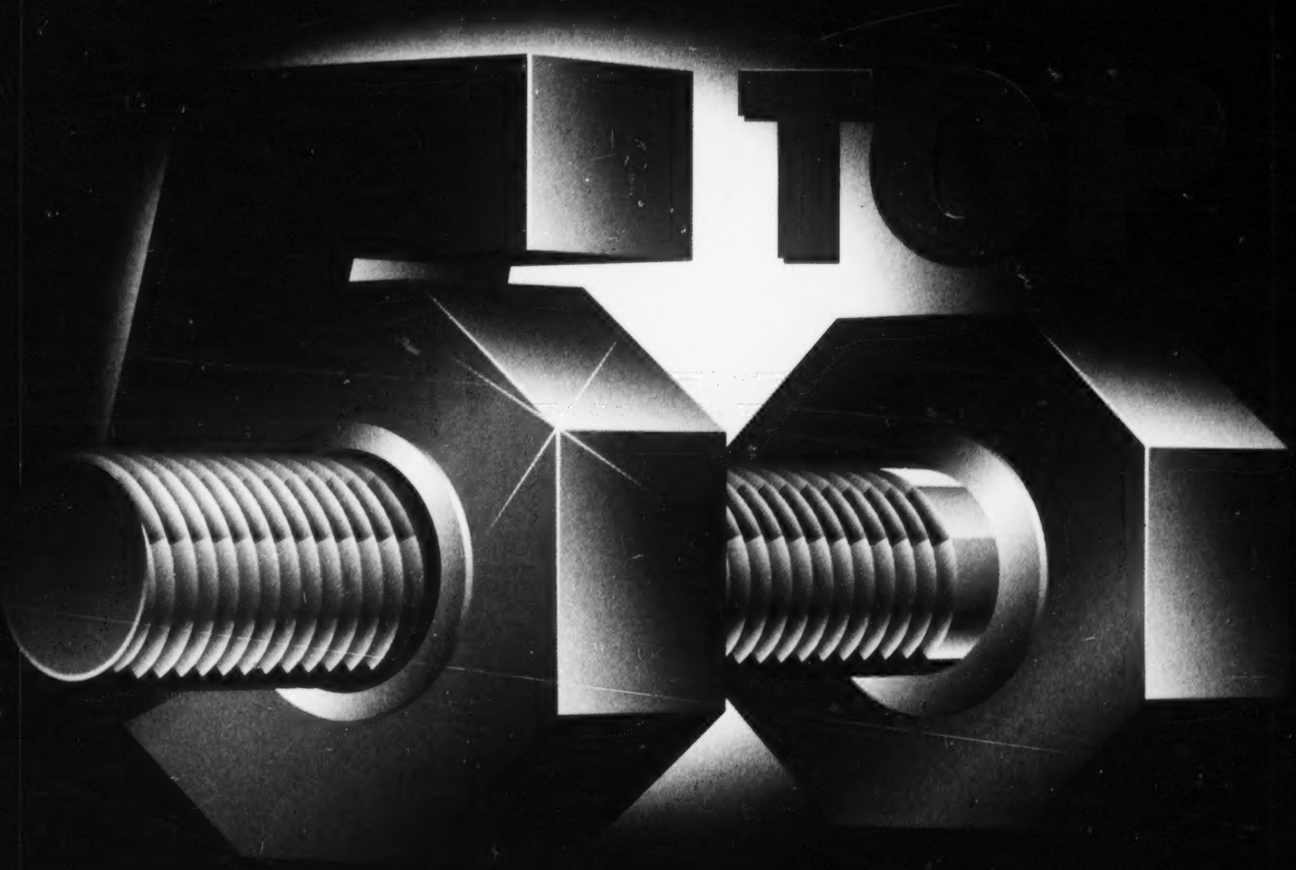
DISTRIBUTION'S



Who are the biggest distributors in the industry?

ID's exclusive 10-page report unveils the Top 50.

2

Who's Tops?

Rules of the Ranking.

Hold on to your hats! It's Top 50 time again! Last year, ID published its first annual Distribution's Top 50. Featured in the May issue, the article ranked the top 50 distributors in the U.S. and Canada based upon input from industry gurus, association execs and our own exhaustive research. The criteria being only annual sales, the distributors profiled ran the gambit from specialty power transmission houses to traditional general-line giants.

The first in what is now an annual feature was well received by most. Manufacturers phoned in comments, distributors expressed anticipation for inclusion "next time," and we even saw a few top execs using the ranking as a guide to prominent players at a major convention's conference booth sessions.

We were pleased with the reader response—even those correspondences which pinpointed oversights on our part. And there were a few. Distributors were quick to let us know about their own companies, their peers and their competitors who weren't featured in the ranking for one reason or another. We were eager to receive this input because it enabled us to develop an even more comprehensive ranking of the top distributors this year.

And that's what we've done. Through a questionnaire bound into the January 1992 issue, distributors and manufacturers were encouraged to nominate companies for the Top 50. The hundreds of respondents who took the time to nominate, coupled with research we've compiled during the past year, have made possible the ranking spotlighted on the following pages.

Upon review of the listing, you may note that such industry greats as McMaster Carr and J & L Industrial are absent. Because these companies are primarily mail-order operations—not the mainstream distributors classically profiled in the magazine—they were purposefully omitted. The same holds true for other distributors from non-traditional segments such as plastic and printing, as well as wholly-owned distributorships like GE Supply. (Not willing to reveal annual sales figures, still other mainstream distributors are also truant by choice.)

Like last year, you will find distributors ranked according to their 1991 annual sales—and only annual sales. We underscore the fact that our listing is not designed to proclaim which company is best. That's for you to decide.

You will undoubtedly find the format and content of this year's Top 50 very similar to last year. The profile boxes—complete with pertinent branch, sales and employee information—spotlight many of the same distributors you met last year. But you'll also find that a lot can change in a year. So read on! ID shares 50 companies' secrets for making it to the big time.

For reprint information, contact Katie Pyziak at (708) 390-2236.

1. W. W. Grainger, Inc.
2. Bearings, Inc.
3. Motion Industries, Inc.
4. Sun Distributors L. P.
5. McJunkin Corp.
6. Guillevin International, Inc.
7. Kaman Industrial Technologies
8. Berry Bearing Co. , Inc.
9. Acklands Limited
10. Cameron & Barkley Co.
11. Fairmont Supply Co.
12. Briggs-Weaver, Inc.
13. Bowman Distribution/Barnes Group, Inc.
14. Invetech Co.
15. The Bovaird Supply Co.
16. Lawson Products Inc.
17. The Gage Co.
18. Safety Supply America
19. Vallen Corp.
20. Lucas Fluid Power North America
21. DoAll Co.
22. MSC Industrial Supply/ Sid Tool Co.
23. Production Tool Supply
24. Noland Company
25. IBT, Inc.
26. Sepco Industries
27. Bearing Headquarters Co.
28. Hub, Inc.
29. Bearing Distributors, Inc.
30. J. N. Fauver Co.
31. Dillon Supply Co.
32. Texas Mill Supply Companies
33. R. S. Hughes Co.
34. Canadian Bearings, Ltd.
35. Service Supply Co. , Inc.
36. Precision Industries
37. Carlson Systems
38. Alamo Iron Works
39. Goodall Rubber Co.
40. Industrial Distribution Group, Inc.
41. Lewis-Goetz & Co., Inc.
42. Moody-Price, Inc.
43. Standard Supply & Hardware Co.
44. Alatec Products, Inc.
45. Associated Industrial Supply
46. Hatfield & Co., Inc.
47. Morse Industrial Supply
48. Ohio Transmission & Pump
49. A-C Supply Co.
50. Enco Manufacturing Co.

1. W.W. Grainger, Inc.

■Skokie, Ill.

Wiley N. Caldwell, President

1991 Sales: $2.077 billion

Branches: 327 **Employees:** 8,000+

(See story p. 40)

2. Bearings, Inc.

■Cleveland, Ohio

John C. Dannemiller, Chairman & CEO

1991 Sales: $814 million

Branches: 336 **Employees:** 4,100

Bearings, Inc. is the largest supplier of replacement bearings, power transmission products, fluid power equipment, industrial rubber and electrical supplies in the country. "We serve it all," says Dannemiller. "We sell to anyone who would need these parts in all industries." The formula seems to be working. Founded in 1923, Bearings, Inc. employs 4,100 people at 336 branches. And despite the recession, sales are strong. "We've done well during the downturn," reports Dannemiller.

3. Motion Industries, Inc.

■Birmingham, Ala.

Michael Gaffney, President & COO

1991 Sales: $655 million

Branches: 205 **Employees:** 2,500

Motion Industries, Inc., founded in 1946, services the sunbelt and the midwest—from California to Virginia. And, it seems, the bearings, pt and pneumatics house does it well. According to Gaffney, Motion has grown at a compound rate of 12% over the past five years. And, despite the nationwide recession, last year's sales still jumped 3%. What's the distributor's secret? Gaffney points to a unique satellite system connecting its 200 branches and a top-notch training program. "We offer our customers totally reliable, instantaneous responses," he says.

4. Sun Distributors L.P.

■Philadelphia, Pa.

Don Marshall, Chairman & COO

1991 Sales: $596 million

Branches: 275 **Employees:** 4,000+

Sun Distributors is shining brightly over the distribution industry—all of it. According to Marshall, Sun's reach stretches across the U.S., Canada and Mexico into all industries—from MRO to retail—selling everything from fasteners to fluid power. Publicly-held and founded in 1976, Sun Distributors is operated under the direction of an executive board with each separate company boasting its own entrepreneurial president. One thing they all have in common, says Marshall, is a push for value-added service. "We're not your everyday distributor," he notes. Clearly.

5. McJunkin Corp.

■Charleston, W. Va.

Henry B. Wehrle, Jr., Chairman

1991 Sales: $515 million

Branches: 58 **Employees:** 1,260

General-line offerings with an emphasis on PVF and electrical has been a successful formula for privately held McJunkin since its inception in 1921. A strong quality focus which incorporates the firm's employees, suppliers and customers in 20 states has also played a role in McJunkin's rise to star status in the industry. Company president H. Bernard Wehrle III says that won't change in the coming years—even as the purchase of $80 million, 18-branch Republic Supply becomes final in March. "We'll continue with the same strategy next year," he says.

6. Guillevin International, Inc.

■St. Laurent, Quebec CANADA

Jeannine Guillevin Wood, Chairman & CEO

1991 Sales: $479 million

Branches: 110 **Employees:** 1,200+

"This is the year every distributor in Canada wants to forget," says Robert Bouchard, president and COO of Guillevin Int'l. The 86-year-old general-line distributor he works for is no exception. "Comparing recessions of the past to the current recession is like comparing a tornado and an earthquake," he observes. Despite the economic hardship though, this industrial hardware, electrical and safety equipment distributor is keeping its ground across Canada. How? Lowering costs, increasing service levels and finding new ways to meet customer expectations.

The Growth of a Giant

W.W. Grainger, Inc. is **#1**, but don't expect the Goliath of distribution to rest on its laurels.

In the beginning, distribution's reining giant, W.W. Grainger, started much like many of you did—as a fledgling distributorship run by one man and some help from his friends.

Today, 64 years later, W.W. Grainger is a $2 billion business.

Somewhere along the way, this Skokie, Ill.-based wonder house slipped into the lead. And today, like a thoroughbred race horse in a daily run for the roses, Grainger continues to leave its competitors in the dust.

All in a day's work? Grainger's president, Wiley N. Caldwell, says the company's remarkable progress is largely attributable to a successful team effort. "We have good employees working toward a common goal," says the 64-year-old leader.

But, even the most successful distributor would have to agree—there's clearly more to it than that. As the country's largest distributor of industrial products, Grainger's unique service and convenience focus places it in a league by itself. We call it #1.

As the highest ranked company in **ID**'s Top 50 for the second year in a row, we felt it was time to meet with Grainger again. (The company received cover story treatment in **ID**'s January 1990 issue.) Our goal was to talk with Caldwell about Grainger's rise. About its plans for the future. And, to find out why this huge commodity distributor is far and away *the* top of Distribution's Top 50.

The Grainger culture

If you have a Grainger branch in your area, you know all too well how Grainger works. The general-line distributor services customers in four major markets (contractors, commercial, institutional and industrial) by supplying what they need, where they need it and when they need it—often on a pick up basis from one of its 327 branches.

But Grainger adds a twist. It provides what customers need when they need it, all the while providing what Caldwell calls the three fundamentals: Reliability, accuracy and speed. "We're doing what everyone else is doing—we're just doing it better," he says.

Arguably, Grainger's ability to do exactly that is a catapulting factor, particularly considering that Grainger maintains only a 3-4% market share in its major markets. Now the question is, how?

The first answer, as Caldwell noted, is people. The company employs more than 7,000 people under the umbrella of its core business—the Grainger division. Add the specialty divisions: Bossert Industrial Supply, Inc.; Allied Safety, Inc.; Parts Company of America; and Jani-Serv and Ball Industries, Inc., and the count springs to about 8,800. Any way you slice it, that's a lot of employees. But each one is a highly valued asset. "We have a unique culture and good people," says Caldwell. "It's a family."

Grainger's profit sharing plan, established in 1941 before it was fashionable, undoubtedly contributes to the dedication and hard work demonstrated by the employees of the Grainger Division. The plan is designed to reward each employee right down to the warehouse staff for his or her efforts.

Training at the top

Other programs developed by the company for the good of the employee also factor in to the level of employee satisfaction. One of the most important of those is training.

According to Caldwell, the Grainger Division has spent an increasingly high percentage of sales during the past five years on training in an effort to reduce employee turnover rates and improve customer service levels. In 1990, the company invested in its Chicago-area Regional Field Training Center for the instruction of its branch and sales people across the country. And, says Caldwell, "We're going to open one on the east and one on the west coast in the coming year."

The center, which boasts a full-scale replica of a branch office, is designed to give employees the equivalent of three to six months of experience in concentrated five-day sessions. Human resource professionals help develop the training programs and assist in training some of the trainees. Caldwell notes that the results are obviously positive. "Our employees are happier because they know how to do their jobs better and they know the company cares for them," he says.

The employees aren't the only people who are happier. Grainger's customers are happier too. And the reason why is clear. Grainger places major training emphasis on quality—and of course it's the customer who ultimately reaps the most rewards from enhanced quality.

Caldwell puts it simply, "We believe in quality." And he's not just referring to his own philosophies. "Better companies have been thinking about quality for years," Caldwell says. "Grainger was a quality company long before I got here."

What does quality mean for Grainger? It's a fundamental, all-encompassing approach. According to Caldwell, quality means answering the phone before the third ring. It means paying suppliers on time. It means treating people with dignity and respect. And it means constant improvement.

The distribution giant believes so strongly in quality that its Grainger Division has named Robert Collins, a 35-year employee, vice president of quality and systems. Collins oversees the quality movement throughout the Grainger Division, from training to everyday applications.

And quality does apply every day—even to the executive officers. Caldwell himself is very conscious of the tenets of quality—so much so that he often answers complaints personally. "I know that if a complaint gets all the way to me, the person must be pretty angry. And if he's that upset, he'll tell his friends unless we take measures to diffuse the problem," Caldwell says. "I follow through and make sure they get the answers they need."

Satellite savvy

Practicing quality has been easier for Grainger in recent years thanks to the installation of a state-of-the-art satellite communications network in 1990.

With the help of about 200 data center professionals, the Grainger Division network links each branch with a network control center which enables instantaneous transmittal of information. "As distributors, it's our job to sell information," notes Caldwell. "For a typical $100 to $150 per order, a customer wants to know if we have what they need, and where and when they can get it. Not to mention the price. And we have to provide that information with speed and accuracy."

Grainger does that and more. "We can place an order at one branch and transfer it to another branch where it's printed out. Through the system, the inventory is immediately deducted and ready to be picked up by the customer," he explains. "We used to have to make a print out at the first branch, fax it to the second branch and then manually re-enter the order, increasing the possibility for error and taking more time. The capability of the satellite network is fabulous!"

Speaking of the future . . . what lies ahead for the already colossal Grainger? You can bet that the distributor won't be languishing in its current accomplishments. On the contrary. Having built a strong base of well-trained, quality-conscious professionals and a powerful communication system, Grainger is positioned to push forward.

However, by the looks of it, the push will be in a new direction. Already a major player in the cutting tool and abrasives market with the formation of Bossert; the safety market with the creation of Allied Safety; the janitorial supply market with the 1990 start-up of Jani-Serv and the 1991 acquisition of Ball Industries, Inc.; and the replacement parts market in the form of Parts Company of America—Grainger is taking its show on the specialty road.

According to Caldwell, the existing specialty divisions operate as completely separate entities from Grainger's core business. The specialty markets were selected upon completion of extensive research into 10 possible markets—the criteria including segments which demonstrated growth and consolidation potential. "It took us two years to make our entry into these new markets," notes Caldwell. "It wasn't a willy nilly decision."

And you can bet the progression of those businesses won't be willy nilly either. Grainger understands the difference between specialty distribution and the type of commodity distribution it has been practicing for the last 64 years. "Specialty requires a great deal more in-depth knowledge, expertise and service," says Caldwell.

Grainger will be addressing the markets accordingly. "We're developing strong partnering relationships with major manufacturers," he says. And in the future, the four specialty segments will take advantage of Grainger facilities and amenities such as the training center and communication network.

Although they will be part of the company, Caldwell notes that the specialty units will be operated as separate businesses. "All of our Grainger Division branches are run like the little distributor down the street—with each branch manager in charge of his own business," he says. "We've grown large by staying small."

And Grainger promises to grow even larger. In the expansion of its existing specialty markets, Caldwell notes that both greenfield entry into new markets and acquisitions are possibilities. "We will expand the businesses when and where it makes sense," he relates.

Then what? Just as in the expansion of current markets, Caldwell doesn't rule out the possibility of investigating new specialty markets. "We are studying new market opportunities through our own marketing and research and development departments," he reveals.

Grainger's dedication to its core business as well as new markets clearly demonstrates the giant's powerful potential in the industry. But, Caldwell is quick to point out that the race for market share is made interesting by plenty of good competition.

"As long as the small, service-oriented distributor provides value, there will always be a place for him—particularly as manufacturers find that they need distribution more and more," Caldwell predicts. As to whether or not there's a place for Grainger? It appears that goes without saying.

7. Kaman Industrial Technologies Corp.

Bloomfield, Conn.

Richard K. Moynihan, President

1991 Sales: $400 million

Branches: 149 **Employees:** 1,300+

"Kaman's mission is to help customers become more productive, more competitive and more profitable by putting technology to work for them," says Moynihan. Servicing all major manufacturing, processing and service industries including everything from pulp and paper to mining and automotive—that's quite a challenge. But this specialty bearings/pt distributor founded in 1971 is ready, thanks to its employees. Asserts Moynihan, "Our people are the cornerstone of our efforts to excel in customer service."

8. Berry Bearing Co., Inc.

Lyons, Ill.

Gardner B. Larned, President & COO

1991 Sales: $350 million

Branches: 90 **Employees:** 1,300

"Especially today, a distributor must go beyond buying and selling," says Larned. "He must anticipate problems and offer innovative solutions." It seems this 72-year-old bearings and pt house is doing just that. Servicing the pulp and paper and food and steel industries in the midwestern and eastern regions, Berry Bearing Co. is making a name for itself and a hefty profit. Where will it go from here? Larned predicts, "Wherever the customers take us."

9. Acklands Limited

Downsview, Ontario, CANADA

K. Rai Sahi, President & CEO

1991 Sales: $343.5 million

Branches: 173 **Employees:** 2,032

One of the largest distributors in Canada, Acklands Limited serves a broad cross-section of industries in nearly every sector. From general industrial products and fasteners to janitorial, safety and abrasives, this 103-year-old general-line house is in a power position. But it's only the beginning. Acklands acquired British Columbia-based Malkin & Pinton last year to strengthen its position on the west coast. And Sahi says, "Our goal for the next three years is a half-billion in sales."

10. Cameron & Barkley Co.

Charleston, S.C.

Rufus C. Barkley, Jr., CEO

1991 Sales: $318 million

Branches: 70 **Employee Owners:** 1,228

Cameron & Barkley president Jim Warren cites the implementation of the quality process and increased market share in the six southeastern states it serves as the company's paramount goals for the coming year. He says, "The most critical resource we have to achieve these objectives is our employee owners." And he means it. 100% employee-owned, the general-line giant founded back in 1865, boasts a VP of quality and a seven-person, in-house training department.

11. Fairmont Supply Co.

Washington, Pa.

William T. Todd II, President & COO

1991 Sales: $260 million

Branches: 25 **Employees:** 640

When German firm RWE AG bought 50% of Fairmont's parent company, Consolidation Coal Co. in late 1991, it also bought 50% of Fairmont Supply. But Todd says, "It hasn't changed our method of doing business." That method includes serving as the sole source of supply for Du Pont, as well as maintaining a unique focus on materials management. Serving the Rockies, much of the south and the gulf coast, this 70-year-old general line distributor will undoubtedly continue with the successful approach long into the future.

12. Briggs-Weaver, Inc.

Dallas, Tex.

Rob C. Mellor, Chairman

1991 Sales: $222 million

Branches: 33 **Employees:** 795

Briggs-Weaver's goal for the coming year is to grow profitably, according to Tom Reid, vice president and general manager of the Supply Division. But, unlike many companies, the 96-year-old general-line distributor has some distinct strategies for achieving that goal. "We'll use the quality process (or what Briggs-Weaver calls perfect service) to assure our level of customer service and become the low-cost provider," says Reid. "And that will enable us to become the distributor of choice in situations where vendor reductions occur." A challenge in the markets they service—from petrochemical and defense to utilities and manufacturing.

13. Bowman Distribution/Barnes Group, Inc.

Cleveland, Ohio

John Knapp, President & COO

1991 Sales: $212.4 million

Branches: 26 **Employees:** 1,281

Serving North America and Europe in process industries from food processing and pharmaceuticals to petrochemicals may seem like a monumental challenge. But Bowman Distribution, founded in 1927, has the job covered—and more. According to Bart Ziurys, director of marketing for the general-line house, Bowman is committed to reducing its customers' total maintenance costs through tailored products and services. And, he says, "We're dedicated to helping our customers resolve the safety and regulatory issues that affect their businesses." That means sending people to Washington for regulatory meetings.

14. Invetech Co.

Detroit, Mich.

James T. Moore, II, President & COO

1991 Sales: $210 million

Branches: 96 **Employees:** 990

According to Moore, Invetech Co.'s vision statement states, "Invetech will become one of the nation's three largest industrial distributors. We will achieve that goal by creating the ultimate in customer and employee satisfaction." For the specialty bearings and pt distributor founded in 1917, that may be a lofty goal. But, the nearly national distributor has every intention of fulfilling it through a comprehensive quality approach. Having trained close to 1,000 employees in its quality improvement process already this year, Invetech is well on its way.

15. The Bovaird Supply Co.

Tulsa, Okla.

W.J. Bovaird, President

1991 Sales: $200 million

Branches: 25 **Employees:** 280

Since 1871, the family-owned Bovaird Supply Co. has been servicing the oil and gas industries from Texas to California with a strong offering of PVF and valve actuation. But according to John Bovaird, executive vice president, the times they are a changin'. Last year, Bovaird's two largest customers were the countries of Venezuela and India. And major markets have shifted as well. "We sold to a sugar beet factory and a shampoo manufacturer last year," he says. "We're letting our products drive us into new markets."

16. Lawson Products Inc.
Des Plaines, Ill.

Peter G. Smith, President & COO

1991 Sales: $181.7 million

Branches: 9 **Employees:** 720

Uniqueness tied to success and big numbers comprise this 40-year old, publicly held distributor's awesome image. Some 1,545 independent reps service 180,000 customers from a $19.9 million inventory of 700,000 maintenance products. 95% of these are sold under Lawson's private label and all come from 700 suppliers who must adhere to the distributor's own quality engineering standards. Dollar inventory value is 8% higher than last year's. The market stretches from all 50 states to the British Isles, Canada and Puerto Rico. Says Smith, "In a sales oriented company, responsiveness is a vital quotient to attaining a consistently high level of service."

17. The Gage Co.
Pittsburgh, Pa.

Robert A. Chute, Chairman

1991 Sales: $150 million

Branches: 30 **Employees:** 425

Eighteen acquisitions in 10 years doubled the size of this century-old, privately held, general liner. Now in eight states east of the Mississippi, management will expand westward "when it makes sense." The key lines in its diverse $27 million inventory range from cutting tools and abrasives to plumbing, heating and piping supplies. Chute projects a sales increase this year of about 6.5%. He credits EDI and absence of middle managers to its quick response decision-making. Management's simplistic growth formula: "Listen to the customer and give him what he wants."

18. Safety Supply America
Los Angeles, Calif.

Alan H. Bennett, President

1991 Sales: $150 million

Branches: 33 **Employees:** 500+

The SSA division of *Fortune 500*, Figgie International is a four-year accumulation of 11 regional safety businesses serving "all segments of industry and government." Currently implementing systems and consolidating functional areas out of new west coast headquarters, SSA is priming for growth. SSA's employee roster lists 76 inside and 125 outside salespersons. It provides EDI, inplant stores, service and repair centers and vendor stocking programs. SSA's global outlook is "a commitment to world-class service in all respects," says Bennett.

19. Vallen Corp.
Houston, Tex.

J.M. Wayne Code, President & CEO

1991 Sales: $150 million

Branches: 38 Employees: 700

Born in Houston in 1942, this publicly held distributor of safety and occupational health products now has branches coast-to-coast and a number of "substantial national accounts." Growth has averaged 15% annually for the past five years. Salespersons total 90 inside and 123 outside. An expanded $250,000 internal and customer training program covers personal protection and equipment maintenance. Value added includes EDI, SPC, a gas detection instrument service, and on-site safety stores. Growth, says Code, will be charged "internally—up to 10 acquisitions in five years—and from new legislation."

20. Lucas Fluid Power North America
Livonia, Mich.

Lewis Buckley, President

1991 Sales: $135 million

Branches: 78 **Employees:** 587

Pulling away from its Canadian parent in the early seventies, this largely specialized, publicly held distributor blossomed with 11 acquisitions in 15 years. Lucas's reach is global with branches in Hong Kong, Europe, North America, and Australia. A 4% drop in sales expected in 1992 caps 12% average annual growth the past 10 years. Management mandates five days minimum training for all, including its 132 inside and 149 salespersons. The company, says Buckley, "increasingly emphasizes state-of-the-art electronic control and interface to bring customers advanced standards in motion control."

21. DoAll Co.
Des Plaines, Ill.

Michael Wilkie, President and CEO

1991 Sales: $129 million

Branches: 75 **Employees:** N/A

This one-time midwest producer/developer of metal cutting bandsaws boasts a linked network of general-line branches in Canada, Europe, Australia and "every inch of the U.S." Founded in 1921, DoAll is primed for a 16% sales increase in 1992. Turnkey installations and uniform lines of cutting tools, machine tools, gaging and safety products in the branch network are its main sources of business. No longer privately labeled, the 100,000 items and a new 900-page catalog carry original brand names and UPC numbers. Quality, a full-line and superior value added are cited in the mission statement.

22. MSC Industrial Supply Co./Sid Tool Co.
Plainview, N.Y.

Mitchell Jacobson, President & CEO

1991 Sales: $118.9 million

Branches: 18 **Employees:** 620

This 51-year-old general-line powerhouse with branches in 10 states, sells coast to coast. The sprawling, single-source distributor listing cutting tools and abrasives as its key lines, offers a hefty, 2,000-page catalog, 140,000 items, guaranteed same day shipping and claims the industry's highest fill rate. Honing-of-skills training is on-going and company wide. Management's "pursuit of excellence" growth formula has seen sales compound over 600% in the last 10 years. "We're driven to achieve delighted customers," says Jacobson. "We'll provide the ultimate in error-free service."

23. Production Tool Supply
Warren, Mich.

Mark Kahn, President

1991 Sales: $110 million

Branches: 16 **Employees:** 425

Production Tool Supply includes: Production Tool Supply of Warren, Mich;, Production Tool Supply of Jackson, Mich.; Production Tool Supply of Ohio; and Rex Supply of Houston as well as several other companies. "One of the keys to our success is having proper inventory on hand," Kahn points out. Each branch stocks a full complement of products and delivery is immediate. With its recent acquisitions, the company, founded in 1952, has experienced a 30% sales growth in the past few years.

24. Noland Company
Newport News, Va.

Lloyd U. Noland III, Chairman & CEO

1991 Sales: $100+ million

(industrial & electrical divs.)

Branches: 92 **Employees:** 1,700

Setting the standard for "combination houses everywhere," this 77-year old publicly held giant serves 13 southern states via industrial, electrical, plumbing and heating, and air conditioning and refrigeration divisions. Salespersons total 249 inside, 357 outside. Inventory is just under $52 million. The training budget is double last year's and value added includes a computer-linked version of systems selling and non-stop inventory control. "The electrical department's greatest growth opportunities are industrial related," explains Noland.

25 IBT, Inc.
■Merriam, Kans.
Stephen R. Cloud, President & CEO
1991 Sales: $96 million
Branches: 40 **Employees:** 425

1991 and 1992 sales should be about equal but still substantial for this privately owned pt, bearing and motion control specialist founded in 1949. Its 10-year growth record is an impressive 80%. Its nine-state, midwest industrial market, served by 80 inside and 175 outside salespeople, taps into a $20-million inventory. Key services include repair and modification and integrating motion control systems with automation processes. "We must make a commitment to quality at every level," says Cloud. Quality and knowhow are stressed by the IBT Academy of 20 trainers and a fully equipped video studio.

26 Sepco Industries
■Houston, Tex.
David Little, CEO
1991 Sales: $93 million
Branches: 26 **Employees:** 400

One of Sepco's major goals for the upcoming year is to organize the business so the company's computer matches what's actually stocked in the warehouse. "Our goal is to get our inventory 99% right at all times," Little says. "A lot of distributors stock inventory and boast about their computers, but the information's not always reliable." Founded in 1908, Sepco is a specialty distributor. Product concentrations include pumps, actuators, bearings, and pt parts. The company is deeply involved in the quality process, having hired a consultant to lead the way, and it expects to move into barcoding in the months ahead.

27 Bearing Headquarters Co.
■Broadview, Ill.
Jim Timble, President
1991 Sales: $92 million
Branches: 38 **Employees:** 500

By offering a complete package of products and services, this 58-year-old specialty bearings house plans to be a major force in the midwest throughout the 1990s. "We do much more than stock and deliver product," says Timble. Some examples: Bearing Headquarters has four machining operations and one belt fabrication shop scattered throughout its market area. The company also has MIS professionals on staff who write programs that help customers manage their storerooms more effectively. The firm also publishes the *Bearing Manual*, a well-known industry reference book.

28 Hub, Inc.
■Tucker, Ga.
Ben Camp, CEO
1991 Sales: $90 million
Branches: 18 **Employees:** 365

This 26-year-old PVF house is fully dedicated to the quality process. "As far as I'm concerned, the quality movement is one of the real positive forces in our industry," Camp says. Hub consists of three major divisions: The Industrial Div.; the Energy & Process Div.; and the Piping Services Div. The company expanded its product offering through the 1989 acquisition of Florida-based Industrial Mill Supply. To date, Hub has integrated general-line supplies at three branches and plans to add mill supplies at additional branches in the years ahead.

29 Bearing Distributors, Inc.
■Cleveland, Ohio
John Kisel, President
1991 Sales: $86 million
Branches: 40 **Employees:** 380

Flexibility. According to Kisel, the firm's ability to customize partnering programs for major end users enables Bearing Distributors to maintain its status as a leader in the bearings and power transmission field. In addition, training is a way of life at the 57-year-old company. Kisel points out that each branch has a TV and VCR and more than 50 educational training tapes that employees are encouraged to view on a regular basis. "We put a premium on training at our company," Kisel says. "The goal of this training is to provide our staff with the tools to efficiently process customer requirements."

30 J.N. Fauver Co.
■Madison Heights, Mich.
Frank Brayton, President
1991 Sales: $85 million
Branches: 16 **Employees:** 320

This fluid power specialist, founded in 1923, expanded into lube, filtration and electrical components and systems and now serves most major industries in 15 midwest states and Ontario. Sales volume is pegged at 2% over 1991. Design, engineering and installation services, about half of the business, have a support staff of six engineers. Factory authorized services are in eight midwest states. Heavy commitment to quality assurance and cost-effective innovation is drawing preferred supplier certifications. "Being a total supplier has long been our forte," says Brayton.

31 Dillon Supply Co.
■Raleigh, N.C.
R.L. McCann, President
1991 Sales: $81 million
Branches: 18 **Employees:** 374

Founded in 1914, Dillon Supply was purchased by French company Descours & Cabaud 10 years ago. During the decade, the distributor grew from a five-branch operation in one state to 18 branches in five southeastern states. According to McCann, Dillon Supply's strength is its diversity. "We're a little different than your average industrial distributor," he says. "Because of our steel service center capability, customers can come to us for industrial supplies, machinery and steel—a complete one-stop shop." Not content to stop at 18 branches, McCann says Dillon is always looking to make acquisitions that "make sense."

32 Texas Mill Supply Companies
■Galena Park, Tex.
Monte K. Legro, President
1991 Sales: $77 million
Branches: 11 **Employees:** 285

Service to its customers is what keeps Texas Mill Supply and its jointly-owned partner, Louisiana Mill Supply, a powerful force in Texas and Louisiana. "We continually look into our internal operations to determine how we can better improve the quality of all our services to our customers," says Legro. The company is totally committed to the quality process and has an in-house quality manager who coordinates training throughout the company. Texas Mill Supply, founded in 1965, also prides itself in having a true partnering arrangement with its customers as well as its key suppliers.

33 R.S. Hughes Co.
■Sunnyvale, Calif.
R.H. McCollum, President
1991 Sales: $75 million
Branches: 27 **Employees:** 290

"Our goal is to do the usual, unusually well," says McCollum of R.S. Hughes. Since 1955, this philosophy has carried the specialty products house into 10 states across the country. R.S. Hughes trades primarily in the southwest, southeast and on the west coast. The company's major product lines include adhesives, tapes, coated abrasives, and safety equipment and supplies. McCollum expects the company to grow in three ways in the years ahead: Adding new product lines, acquisition and branch expansion.

34. Canadian Bearings, Ltd.

Mississauga, Ontario, CANADA
Farrokh Khalili, President & CEO
1991 Sales: $70 million
Branches: 30 **Employees:** 300

Founded in 1947, Canadian Bearings experienced fantastic growth during the '80s. Khalili notes that Canadian Bearings went from $30 million in sales and 19 branches when he purchased the business in 1983 to a peak of $86 million and 36 branches in 1989. The company sells bearings, pt parts and conveyor belting. It trades in Ontario, Quebec, New Brunswick, and Nova Scotia. Major markets include automotive, steel and mining. Khalili has a twofold strategy for the future: Form stronger partnerships with key customers and implement the quality process. "Our goal is to become the lowest cost supplier in our market," he says.

35. Service Supply Co., Inc.

Indianapolis, Ind.
Mel Seitz, Jr., President
1991 Sales: $70 million
Branches: 42 **Employees:** 500

Inventory. For Seitz, the depth and breadth of this 44-year-old firm's inventory is what makes the fastener specialist unique. "No one can match our inventory," he says. "We provide quick delivery on both standard product and oddball fasteners that are tough to find." Over the years, Service Supply's growth strategy has been the branch, or service center system. While Seitz predicts steady growth for the years ahead, primarily through launching new service centers, he says the company is always open to acquisitions. Service Supply trades in 23 states and its major markets include automotive and construction.

36. Precision Industries

Omaha, Neb.
Dennis Circo, President
1991 sales: $68 million
Branches: 31 **Employees:** 310

Long known as Precision Bearing Co., this well-run distributorship has changed its name to Precision Industries. "We were constantly explaining that we sold more products than our name implied," Circo says, noting the 47-year-old company carries a broad line of products in addition to bearings. The company is heavily involved in systems contracts and customizes those programs for its customers. Despite the recession, Precision experienced 15% sales growth last year and has opened three branches in Los Angeles and two in Houston. "We have an ambitious expansion program planned, he says.

37. Carlson Systems

Omaha, Neb.
Don Carlson, President
1991 Sales: $67 million
Branches: 16 **Employees:** 315

Serving 22 states west of the Mississippi, Carlson Systems sells fastening and packaging systems to the industrial and construction markets. Founded in 1947, Carlson sells its products through 100 well-trained outside salespeople and 45 inside salespeople. In addition, the company "constantly looks out for leading edge ways to improve our business operations," Carlson says. As an example, he points to a new computer system that will be put into operation in August. That system was chosen after a lengthy evaluation of vendors. "A new computer system is basic to our future in business," he says.

38. Alamo Iron Works

San Antonio, Tex.
Paul Fisher, President
1991 Distribution Sales: $61 million
Branches: 6 **Employees:** 450

Distribution accounts for 85% of Alamo Iron Works' annual general line sales of products ranging from abrasives to welding supplies. A foundry, a steel service center and a steel fabrication unit adding more than $9 million to this sales total. Paul Fisher says that his firm does the same thing it's done since it was founded in 1878: "Nothing fancy; we just use good business sense." Alamo inventories 43,000 line items. A fleet of trucks runs regular routes throughout Texas and into New Mexico and Louisiana. Customers, many of whom are in outlying areas, place their orders and the goods are placed on the very next truck that heads their way.

39. Goodall Rubber Co.

Lawrenceville, N.J.
Torgny Astrom, President & CEO
1991 Sales: $60 million
Branches: 30 **Employees:** 280

Recession be damned. During a period when other distributors suffered, hose and accessories distributor Goodall Rubber Co. recorded a 7% sales increase and more than doubled its profit. What's Goodall's secret? According to Astrom, quality has a lot to do with it. "For many companies, quality is a buzz word—at Goodall it is a corporate policy," he says. Servicing everything from chemical processing and mining to pulp and paper and utilities in the U.S. and Canada, this 122-year-old distributor has high hopes for the future. Parent company, $5-billion Trelleborg, is behind acquisitions all the way as a means for expansion.

40. Industrial Distribution Group, Inc.

Tucker, Ga.
Douglass C. Smith, President
1991 Sales: $55.68 million
Branches: 10 **Employees:** 295

The Boring & Smith, Dixie Industrial and Ensco Supply divisions of Industrial Distribution Group concentrate primarily on the Southeast. In addition, Boring & Smith, originally launched in 1972, has seven truck-based "mobile" branches to extend the general-line firm's reach even into Indiana and Texas. Smith's approach is to "compete on capabilities." To this end, he's hired a full-time director of quality to help the firm surpass a 1 error/1,000 lines of billing benchmark. It's a distributor's responsibility, he says, "to add value to a product, not cost."

41. Lewis-Goetz & Co., Inc.

(formerly Gooding, Lewis, Goetz & Co., Inc.)
Pittsburgh, Pa.
Andy Lewis, Chairman & CEO
1991 Sales: $55 million
Branches: 9 **Employees:** 216

Economies of scale and survival have been the driving forces behind the evolution of Gooding, Lewis, Goetz & Co. Founded in 1935 as Gooding Rubber, the firm has acquired four companies since 1985, including Richmond Rubber, Haynes Rubber & Supply and, in 1991, both Shields Rubber and F.B. Wright/Ohio. President and COO Dave Goetz points to the firm's full-time Director of Quality Systems, Bill Wehr, and to a "business philosophy which defines the home office as a resource provider" as keys to the company's success.

42. Moody-Price, Inc.

Baton Rouge, La.
Danny A. Daniel, Sr., President & CEO
1991 Sales: $49.3 million
Branches: 7 **Employees:** 125

Last year, in the heat of the recession, specialty instrumentation distributor Moody-Price had the best year in its history. Daniel attributes the 37-year-old house's success to its stringent quality requirements and efficient information systems. "You have to do what you do better than anyone else is doing it," he says. Moody-Price services the chemical, refining, pulp and paper and oil and gas production industries from Louisiana to the Florida panhandle.

Anything but Standard

Standard Supply & Hardware thrives with some fundamental—and innovative tactics.

Mac Hadden, president of Standard Supply & Hardware in New Orleans, La., believes one of the reasons why his 83-year-old family business has flourished over the years is its clearly defined purpose. "We've never been in the pizza business and we don't take three month vacations. We are distributors," he says. "We do what we can do every day to make the distributorship better by the end of the day. And, we're dedicated to being who we are, not something different."

Standard Supply's no-nonsense approach seems to be working. Launched in 1909 by three friends and business partners, the general-line industrial distributor has survived not only the trials of family business, but also decades of roller coaster economic conditions.

Today, Standard Supply is managed by a team which includes three officers whose grandfathers were founding family members—Hadden and Keith Depass, the secretary/treasurer, and Grady Harper, the vice president of purchasing.

The business is run with much the same philosophy as was maintained by their forefathers, and they do it with what Hadden calls conservative financial management. "We keep our eye on the ball and we don't get out of control," he says. "We have no debt."

Too conservative? Maybe. But, Standard Supply's strong financial status puts the distributor in the position to target its major markets—oil, marine and industrial—in the next decade. And that's the idea, according to Hadden. "It's time to get aggressive," he says.

In the region Standard Supply services from east Texas to southern Alabama, getting aggressive means pursuing new markets and adding new lines. And it also means taking pioneering steps with existing accounts. "We've set up on-site stores and remote terminals," Hadden explains. "We put our computers right on our customers' desks so they can check stock and place orders immediately."

'We have good employees working toward a common goal.'—Caldwell

Quality is also a major component of Standard Supply's newly aggressive mode. Having attended Texas A&M's quality seminars, the distributor has conducted focus groups and customized the program to meet its own needs and the needs of the customers. "We've identified the most important quality points: Error rate; fill rate; accuracy; inventory access; day's-work-in-a-day; and on-time delivery," Hadden notes. "Our training focuses on these principles and we've witnessed measurable improvement."

Mac Hadden of Standard Supply & Hardware is a third generation leader.

In addition to maintaining the tenets of quality at Standard, the distributorship also hosts seminars featuring quality speakers and publishes a bi-weekly newsletter designed, among other things, to update employees on quality issues.

Still another ingredient in the Standard Supply offensive attack is ID-One. The group, a nationwide marketing and buying group for industrial distributors, has already brought Standard Supply some new selling relationships. "ID-One has won two or three national contracts," recounts Hadden. "And there's tremendous potential for more business in the future. It's an idea whose time has come because it's a legitimate way for independents like us to step up toe to toe with the real big guys."

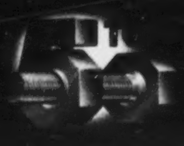
It seems Standard Supply is already doing that. The distributor is combining a strong base of customers won through stable, trustworthy business relationships with an ambitious plan for future growth.

Perhaps things could have been done differently long ago—but look at the hundreds of companies that have lost their focuses and failed.

Besides, Hadden and his management team are appreciative of Standard Supply's strong financial condition today. "It's difficult to keep an eye on who you are when there's always something different coming down the road," he says. "But, we are distributors first and foremost."

"It's interesting to think what Standard Supply could have become if this hadn't been the case. Who knows? Had we decided to get into computers back in the 40s, we could have become the next IBM."

Perhaps there's still a chance to become the next Grainger. ID



43. Standard Supply & Hardware Co.

New Orleans, La.
Mac Hadden, President
1991 Sales: $42 million
Profit Centers: 13 **Employees:** 256

(See story p. 51)

44. Alatec Products, Inc.

N. Hollywood, Calif.
Don List, President
1991 Sales: $40+ million
Branches: 6 **Employees:** 229

In theory, Alatec Products, Inc. has two strikes against it. The specialty distributor, founded in 1972, not only sells within the regulation-riddled fasteners segment, it also sells to the economically-plagued aerospace industry. But despite the tough market, sales at Alatec are stable and strong. How does it manage? According to List, Alatec takes an aggressive stance with quality control. "We've put a lot of time and money into stringent quality control requirements and systems," he says. "We can conform to any standards the commercial and military contractors throw at us." International sales of 20% also help.

45. Associated Industrial Supply

Columbia, S.C.
Bob McBeth, President
1991 Sales: $40 million
Branches: 11 **Employees:** 200

In 1991, McBeth focused on increasing profitability without necessarily increasing sales at this general-line house which was founded in 1902 as Columbia Supply. Formalized training in both product awareness and selling skills is a major part of this effort. The firm's 35 outside salespeople meet four times a year, and an equal number of inside sellers gather twice yearly. McBeth sees distribution as becoming more dependent on technology in the next few years. Major chemical, petroleum and other Fortune 500 customers, he says, prefer dealing with distributors who have EDI capabilities in place, and this serves as "a definite growth factor" in his business.

46. Hatfield & Co., Inc.

Mesquite, Tex.
George R. Hatfield, CEO
1991 Sales: $38.8 million
Branches: 6 **Employees:** 91

"We believe inventory is just as important as accounts receivables," says Hatfield. The industrial process instrumentation and controls company, started by Hatfield's mother and father in 1958, has maintained that inventory focus over the years. And it's paid off. Serving the chemical and food process industries as well as oil and gas across Texas, the former "mom and pop shop" is in a growth mode. "We're looking into acquisitions in order to enhance our market share," relates Hatfield.

47. Morse Industrial Supply

Bellingnam, Wash.
Robert I. Morse, President
1991 Sales: $37 million
Branches: 2 **Employees:** 158

This venerable distributorship celebrated its 108th year in business earlier this year. And Morse says that diversity is the key to Morse Industrial's success. "We've been very successful over the years determining which segments of the market need servicing in our region," he says. Morse Industrial has three main divisions: Industrial, hardware and a steel service center. According to Morse, the company's future growth strategy is twofold. Number one, increase market share by growing existing accounts. And number two, add new products on a selective basis. Major markets include aerospace, oil, metalworking, and pulp and paper.

48. Ohio Transmission & Pump

Columbus, Ohio
David Derrow, Chairman
1991 Sales: $37 million
Branches: 8 **Employees:** 185

Management's strategy for the '90s at this specialty house is to become a niche marketer of mechanical and electrical pt components, pumps and air compressors. Founded in 1963 by L. Philip Carstens and Derrow, only Derrow remains from the founding group. Originally Ohio-based, the company now also trades in West Virginia and Kentucky. According to Derrow, two of Ohio Transmission's real strengths are its systems capabilities and the relatively young age of its management team. "Excluding me, the average age of our managers is about 38," he says.

49. A-C Supply Co.

Milwaukee, Wisc.
Eugene Owens, Chairman
1991 Sales: $36 million
Branches: 14 **Employees:** 152

A-C Supply has doubled its sales in the last six years primarily through key acquisitions, the most recent being Capital City Belting in Des Moines, Iowa. "Our philosophy is that you can't sit still today. You have to continue to grow your business," Owens says. This 50-year-old pt, industrial rubber, fluid power/electrical specialist covers the states of Wisconsin, Iowa and northern Illinois. For the immediate future, A-C Supply is making a concerted effort to expand in the motion control area.

50. Enco Manufacturing Co.

Chicago, Ill.
Charles Usiskin, President
1991 Sales: $35 million
Branches: 12 **Employees:** 215

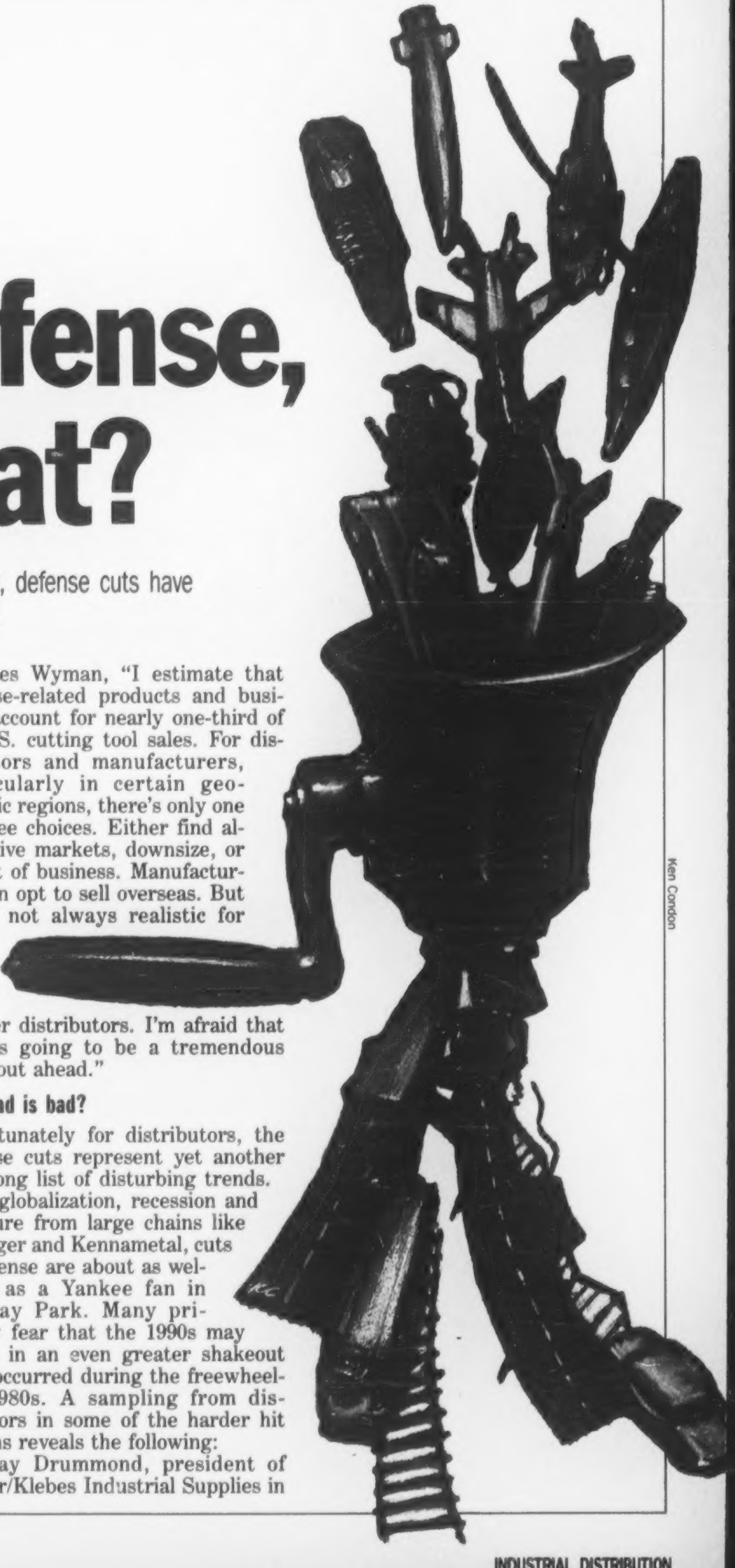
"Today's buyers are very informed and intent on finding the best value. To succeed, distributors have to be keenly aware of all the options buyers have," says Usiskin. Among the options his general-line customers have is seven-day-a-week service at Enco headquarters and six-day service at the branches. This 52-year old firm also uses frequent mailings of catalogs to keep the Enco name in the buyer's mind. And each Enco location has a showroom staffed by people who are ready to demonstrate metalworking and woodworking tools in action.

This article was researched and compiled by ID's staff editors in cooperation with key executives at the top 50 firms profiled. The features were written by Christine Forbes.

SPECIAL REPORT

If not defense, then what?

With military contracts drying up by the day, defense cuts have hit home at distributorships across America.



Ken Condon

By Steve Zurier, Senior Editor

By now, it's clear that the United States is having a very difficult time converting its Cold War victory to ongoing economic prosperity at home. As major suppliers to the defense industry, distributors are keenly aware that when the defense plant across town lays off thousands of workers, it's a safe bet it won't be spending a bundle of cash on industrial supplies.

The reality: Whether it's the $50 billion in cuts over five years proposed by President Bush or roughly double that amount if leading Congressional Democrats have their way, distributors must realize that one of their most significant markets is at best downsized and, at worst, gone forever. While New England, Southern California, Long Island, N.Y., Texas, and parts of Florida have been hardest hit, virtually every region of the country has been impacted by the downside of our Cold War victory.

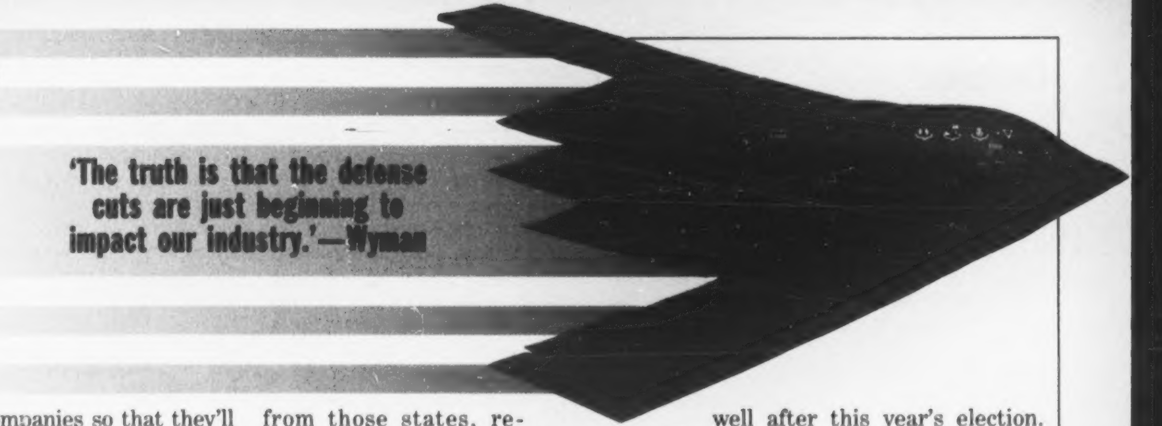
"The defense cuts are just starting to have a tremendous impact on our industry," says Talbot Holdings' Tim Wyman, a cutting tool manufacturer who sells through distributors. Wyman's companies include Brubaker Tool Corp., Fastcut Tool Corp., New England Tap Corp., and The Weldon Tool Co.

Notes Wyman, "I estimate that defense-related products and business account for nearly one-third of all U.S. cutting tool sales. For distributors and manufacturers, particularly in certain geographic regions, there's only one of three choices. Either find alternative markets, downsize, or go out of business. Manufacturers can opt to sell overseas. But that's not always realistic for smaller distributors. I'm afraid that there's going to be a tremendous shakeout ahead."

How bad is bad?

Unfortunately for distributors, the defense cuts represent yet another in a long list of disturbing trends. With globalization, recession and pressure from large chains like Grainger and Kennametal, cuts in defense are about as welcome as a Yankee fan in Fenway Park. Many privately fear that the 1990s may result in an even greater shakeout than occurred during the freewheeling 1980s. A sampling from distributors in some of the harder hit regions reveals the following:

- Jay Drummond, president of Silliter/Klebes Industrial Supplies in



'The truth is that the defense cuts are just beginning to impact our industry.'—Wyman

technology companies so that they'll locate in the Boston area. But even if there's a biotech boom in the Bay State, distributors are skeptical that much more than low-volume maintenance business will come their way.

What of Washington? For businesspeople looking for leadership, President Bush's State of the Union address was widely considered underwhelming. The President's main proposal centers around modest R&D tax credits to new industries like biotechnology. Congress, feeling the heat from constituents, has been more aggressive. On the Democratic side, Sen. Christopher Dodd (D-Conn.) proposed a bill that includes a series of measures that would help defense contractors and workers adjust to cuts. And the Northeast/Midwest Coalition, a bi-partisan group of Congressmen and Senators from those states, recently appointed a task force charged with studying the impact of defense cuts on contractors, their employees and the communities involved.

But distributors and other businesspeople shouldn't get their hopes up. Why? Number one, despite the urgency, it always takes time for Congress to pass anything of significance. And number two, the 1990 Budget Agreement prohibits shifting money from defense projects to non-defense programs through FY 1993. At press time, the law required any cuts in defense to go to offsetting the federal government's multibillion dollar budget deficit. While this could change, it means that for now, the issue of redirecting funds from defense to domestic concerns won't be on the table for real until well after this year's election. Translated: At least this year, businesspeople are largely on their own.

This state of affairs leaves many distributors concerned for the future. "Unless something's done soon, I see a tremendous shakeout ahead," says Andy Bamber, of Bamber Tool in Hamden, Conn. "I think the federal government would be wise to invest in the Space Program. It relates well to the type of highly skilled tasks aerospace workers performed when the focus was on defense."

Manufacturers are concerned as well. "Whatever is eventually done, the industry has to come to grips with the fact that the defense market can't be replaced," says Norton Co.'s Brian Rooke. "What we have to do as a company is to go after the remaining business by becoming the industry's low cost provider."

The real impact

So in the final analysis, distributors report that the real impact of the defense cuts is that the partnering trend has been accelerated. If an end user wasn't looking to reduce vendors and form stronger partnerships a year or two ago, he most certainly is today.

The bottom line: With defense cuts shrinking the pie, large players like Kennametal targeting high-end business, and mail order houses nipping the low end of the market, industrial distributors must focus their efforts more carefully than ever before. Some distributors may go out of business simply because they have the bad luck to be located in Los Angeles County or Northeastern Connecticut. The distributors who survive will be the ones who saw this coming, prepared for the deluge, and despite it all, are well on their way to becoming the low cost providers in their local market area. Anything less simply won't do.

For reprint information, contact Katie Pyziak at (708) 390-2236.

One distributor faces the cuts

Distributor Jayne Summers spends her time these days counting her blessings and biting her fingernails. Why? Summers does business in two of the most hard hit regions in the country—Long Island, N.Y., and New England.

First the good news: Sales volume at Summers' Kenneth Crosby Co. facilities in Southborough, Mass., and Rochester, N.Y., is up 15% this year. Summers points to the company's successful niche marketing strategy and the fact that her trade area has yet to feel the true impact of the defense cuts.

The bad news: Space Age Tool & Supply Corp., the Long Island-based distributorship Summers purchased two years ago is being devastated by the crash in the Long Island aerospace industry. The result: Sales at Space Age Tool are down about 30% in 1992.

"Long Island is very slow," she says. "I can't put enough emphasis on how slow. My concern with all of this is that very little is being done to replace these lost manufacturing industries. I don't care what the politicians or economists say, but in the long run, the computer, real estate and fast food industries are not going to create wealth. Only a healthy manufacturing base can do that."

Summers' prescription for distributor survival: Keep costs down. Don't succumb to the temptation to cut prices. Keep service levels high. And partner with the manufacturers willing to make longterm commitments. "It looks like there's going to be another major shakeout," she says. "But on a more positive note, the ones who survive will emerge in a stronger position to service their customers."

If Summers is right, and it appears that she is, industrial distribution is headed for one of the most uncertain periods in its history.

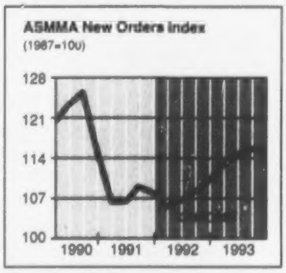
By Susan E. Farris

Machine tools off to a good start

Expect robust demand from export and automotive markets in 1992 to continue.

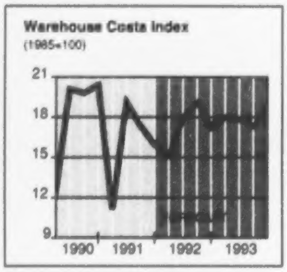
Heavy capital goods, such as machine tools, are typically one of the last industries to improve during an economic recovery. However, major equipment purchases that were deferred during last year's recession and lower financing rates will mean an earlier recovery for the machine tool industry. While orders are expected to be robust, growth will be less than in the last recovery during the late 1980s.

ASMMA New Orders Index
(1987=100)



Data source: ASMMA
Forecast source: Cahners Economics

Warehouse Costs Index
(1985=100)



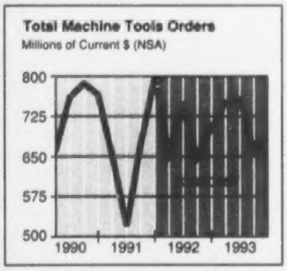
Data source: Cahners Economics
Forecast source: Cahners Economics

Domestic machine tool orders exceeded $200 million in each of the first two months of 1992. This is a promising start after a weak 1991, when domestic orders reached $200 million or more only three times in the entire year. Foreign orders are down slightly, primarily as a result of slower economic growth overseas. Imports have put pressure on domestic manufacturers of machine tools, dampening growth. Nevertheless, massive investment by the auto industry to modernize their plants and shorten the cycle of new model introductions will help to drive the machine tool sector this year. Orders of machine tools are forecast to grow 4% in 1992 and to advance 3.9% in 1993.

February cutting tool orders totalled $177 million, up 11.7% from January. Expect a 14% annual gain in orders this year. Metal forming orders stood at $54 million, down 7.7% from January. Forming tool orders will rise gradually every quarter this year, finishing 13% above year-ago levels in December. Shipments for both categories were sharply higher in February while the total backlog increased to $1,523 million.

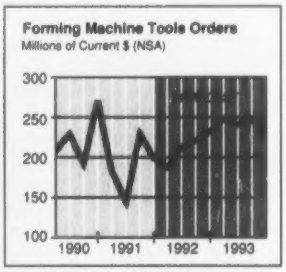
The export markets have become increasingly more important during this recession. In fact, the 1991 U.S. machine tool exports totalled a record $1,076 billion, up 1.3% higher than in 1990. The top export market was, and is expected to be this year, Canada at $135 million, followed by Mexico at $125 million, and Germany at $100 million. Recent export growth has slowed due to shrinking demand from Germany and Canada and a stronger U.S. dollar which makes American tools less competitive. Still, the foreign outlook for machine tools is good. Europe and Asia (minus Japan) will recover this year, and U.S.'s lower unit labor costs will help price American goods more competitively.

Total Machine Tools Orders
Millions of Current $ (NSA)



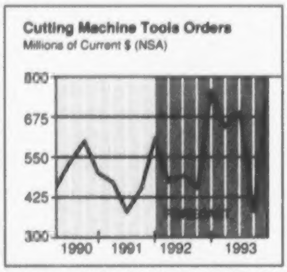
Data source: National Machine Tool Builders' Assn.
Forecast source: Cahners Economics

Forming Machine Tools Orders
Millions of Current $ (NSA)



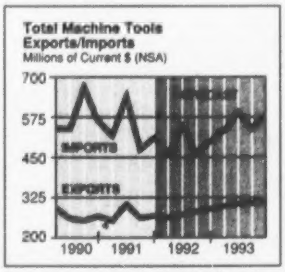
Data source: National Machine Tool Builders' Assn.
Forecast source: Cahners Economics

Cutting Machine Tools Orders
Millions of Current $ (NSA)



Data source: National Machine Tool Builders' Assn.
Forecast source: Cahners Economics

Total Machine Tools Exports/Imports
Millions of Current $ (NSA)

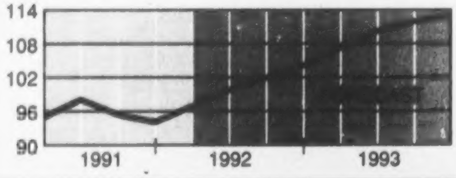


Data source: Assn. for Manufacturing Technology
Forecast source: Cahners Economics

I.D.A. REPORT

SALES (1990=100)	Mar. 1992	Feb. 1992	Mar. '92 vs. Mar. '91 % change
TOTAL	102.1	93.0	+6.2
EAST	100.4	92.1	+6.1
SOUTH	106.4	95.3	+14.0
CENTRAL	103.2	94.6	+7.1
WEST	95.4	85.5	-6.4

National Index Distributor Sales
(1990=100)



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1992

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INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

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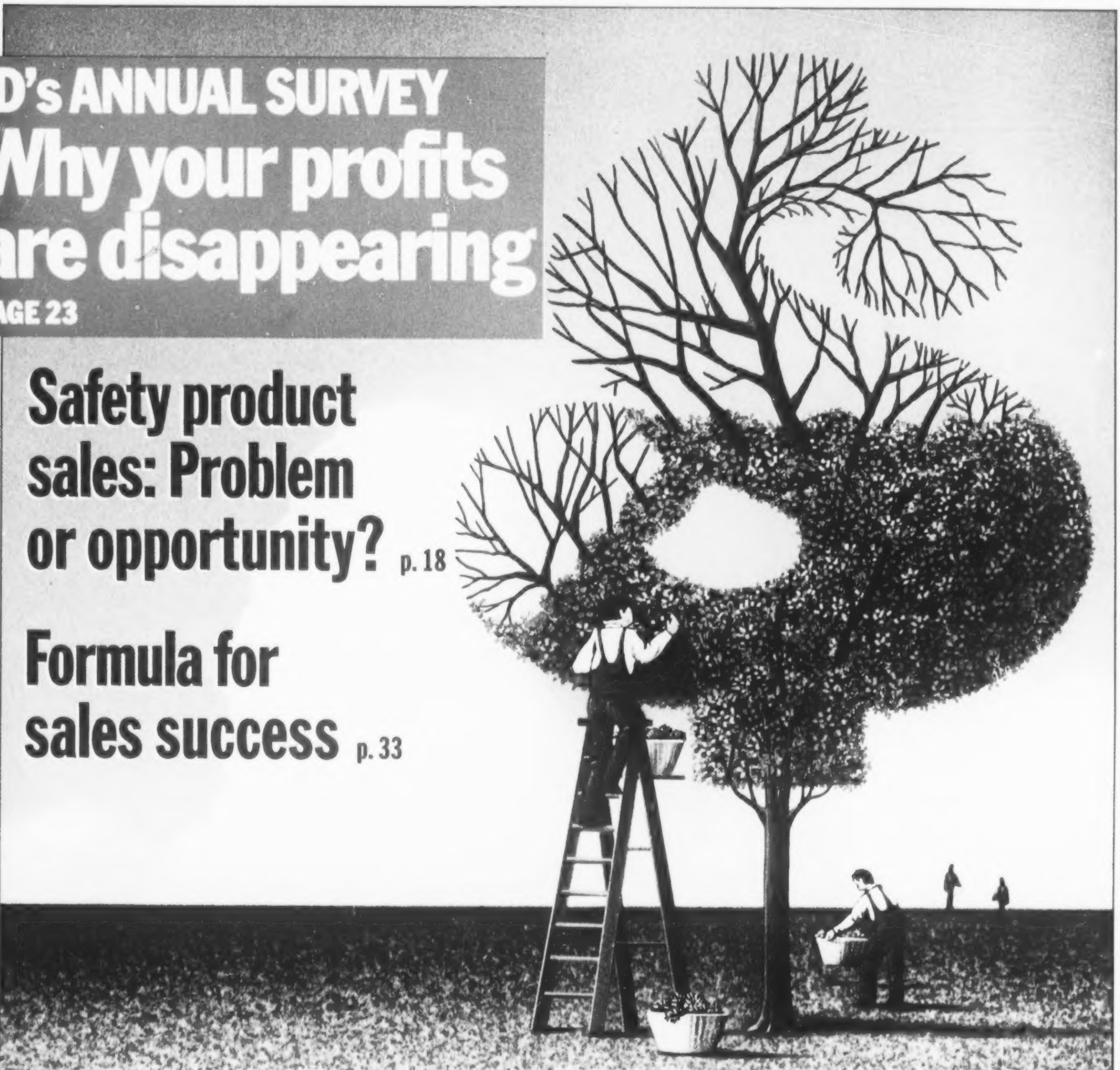

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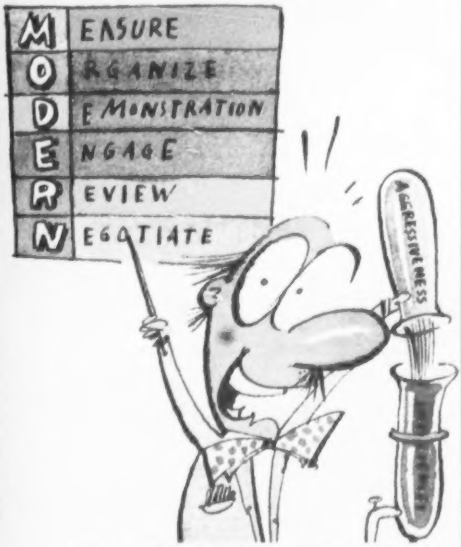
1991 was a very difficult year to harvest profits.—p. 23



Find the right ingredients for your sales success formula.—p. 33

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THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

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EXCLUSIVE SURVEY

Why your profits are disappearing

Concerned about the industry's poor profit performance? ID's 46th Annual Survey of Distributor Operations provides some insight into how you can make your business more profitable.

OVERVIEW

'A world of opportunity awaits distributors who become low cost providers.'
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'It's safe to say that merger mania didn't return to distribution in 1991.'
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'Distribution is a bastion of the closely-held, family-owned business.'
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Theo Rudnak

HEALTH CARE

'Almost 39% of those surveyed say they support national health care.'
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'Distributors are still light years away from implementing EDI and bar coding.'
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'Cahners Research estimates the Survey's margin of error at ±5%.'
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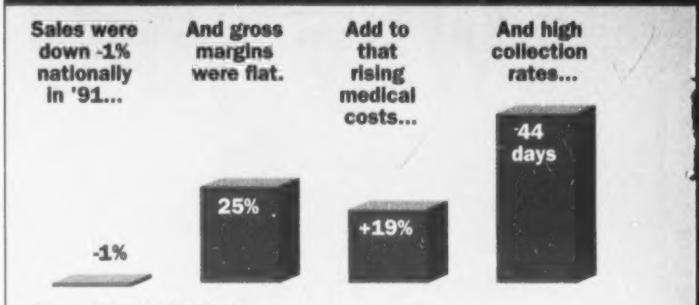
Profit margins trimmed in '91

By Steve Zurier, Senior Editor

Distributors sold less product at slimmer gross margins in '91. Profits were flat too. But with the recession waning and more companies implementing TQM, '92 looks brighter.

INDUSTRIAL DISTRIBUTION'S PERFORMANCE



Source: Industrial Distribution

What more can happen to industrial distributors? The end of the Cold War has left the defense market a mere shadow of its former self. Manufacturers continue to relocate offshore. Large distribution chains like W.W. Grainger, Kennametal and Sun Distributors maintain their aggressive postures. And many major customers demand more services at lower prices.

With all of these pressures, it should come as no surprise that 1991 was a less than banner year for distributors. In fact, many independents wonder privately why they are still in this business. A shrewder businessman might take the money and invest in mutual funds.

But while distributors agree that 1991 was a struggle, the *46th Annual Survey of Distributor Operations* reports that a solid 60% believe that their companies will experience sales growth in 1992. Why? They are convinced that distributors who implement the quality process, invest in technology and manage their assets more effectively are in a unique position to capitalize on end user vendor reduction programs.

True, a shakeout is ahead. But many distributors say that a world of opportunity awaits those who are willing to take on the challenge of becoming a low-cost provider. Only time will tell if they are right, or if they would have been better off putting their money in that mutual funds package.

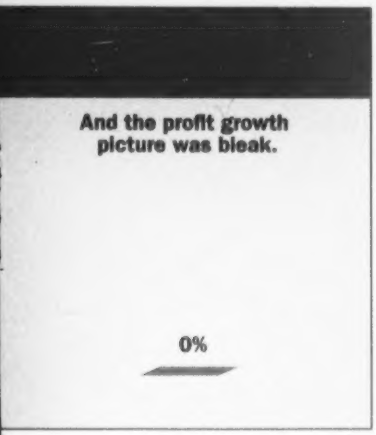
The year in review

Anyway you slice it, 1991 was a year to forget. According to the *Survey*, distributor sales were down 1% nationally in '91, and gross profit margins were down to 25% from slightly more than 27% the year before. Add to that average collection rates of 44 days and a 19% jump in the cost of medical insurance, and you can quickly see why distributor profitability remained stagnant in 1991. For those interested in crunching the numbers, net profit before tax (as a % of total sales) was unchanged in 1991 as compared with 1990.

As you evaluate the *Survey*, keep in mind that the data represents input from distributors all across the U.S. While distributors in New England, Southern California and Long Island, N.Y., reel from the defense cuts, others based in Wisconsin, Nebraska and Minnesota report strong growth.

A quick look at the numbers finds that the Northeast took the biggest hit with a 12% decline in sales. The other two regions that suffered sales declines were the West at −4% and the North Central at −3%. The country's real bright spot was the Central region with a 13% sales gain, followed by the South and Southeast, which both experienced 8% growth. Taken by sales volume, the $1-4.99 million houses grew by 5%, the <$1 million firms were in the plus column, but just barely with a 1% gain, and the $5 million+ houses dropped by −.4%.

Given that a majority of the defense cuts were in the Northeast and West, it follows that those regions would have experienced negative sales growth. And the strong growth reported in the Central region is consistent with numerous reports of a resurgence in America's industrial heartland. In fact, one distributor in Nebraska reports that the farm implement and heavy equipment manufacturing industries kept his business ticking along last year while distributors in other regions bore the brunt of the recession. "Our sales were up 9.3% in 1991," says Allan Chartier of Midwest Industrial Tools in Omaha, Nebr. "And in the first quarter of 1992, sales were up 22%. We've got a buffer here that's not



available to my colleagues on both coasts."

The real question

Now that we have the numbers, the real question is: What do they mean? In short, the *Survey* screams out loud and clear that profitability is tougher than ever to sustain. After finding similar results last year, we asked distributors if charging for value-added services was the main problem. Many agreed that it was. And as we reported in our May 1992 issue, distributors still have a long way to go before the value added question is under control.

The underlying problem impacting distribution is that for the first time in its history, American manufacturers face global competition. No longer does America consume and produce more than 50% of the world's goods. And no longer does General Motors capture more than 50% of the North American car market. These factors, plus massive federal and personal debt have changed the game forever.

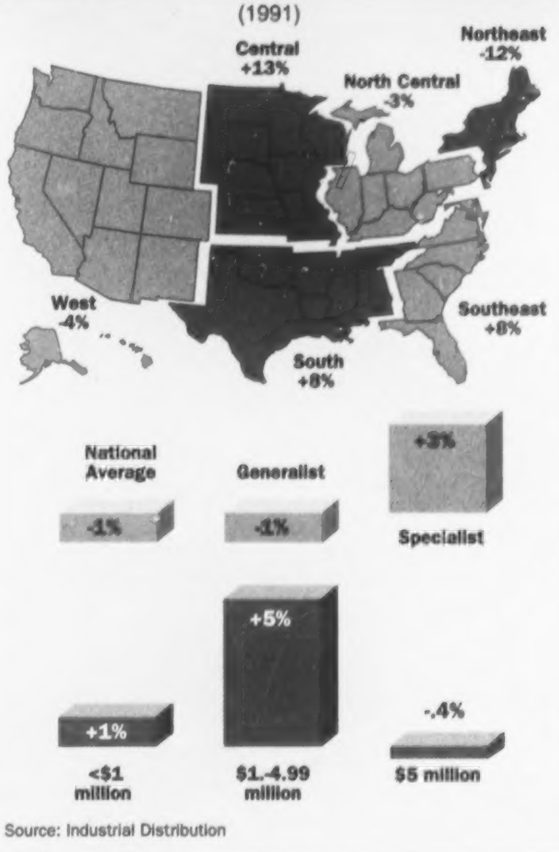
Without question, there are many negative forces conspiring against distributors. But it's not as if the Fortune 500 companies that distributors sell to have been rolling over and playing dead. Motorola, Xerox and yes, General Motors, have implemented quality programs that are turning American industry around. In looking to cut costs and gain efficiencies, these businesses depend on distributors to make them more productive. Now the good news: Many distributors *have* responded to the challenge with creative programs they never would have dreamed of implementing a few short years ago.

According to the *Survey*, 81% say they are forming stronger partnerships with their customers. And another 77% report that partnering programs are quite profitable. These partnerships take many forms. From PPG's Vendor City project in Lake Charles, La., to the Innovative Distribution Group's broad based partnering arrangement with Heidelberg Harris in Dover, N.H., industrial distributors are making a difference.

But as John Moore of Duncan Equipment Co. in Tulsa, Okla., points out, becoming a low cost provider with a value package means that distributors must expect their margins to shrink. "The reality is that distributors who move into these partnering programs must expect smaller margins," he says.

AVERAGE SALES BY BUSINESS REGION/TYPE/SIZE

(1991)



Source: Industrial Distribution

"But if a distributor can cut down his operating expense through the quality process, he can expect his pre-tax net income to be higher. The worst move a distributor can make today is to evaluate his business by only its gross profit margins. The key is providing a total package of services at a lower cost."

John Moore's analysis makes sense. If you talk to 100 distributors, they'll all tell you a similar story: With the industrial pie shrinking, the name of the game in distribution today is grabbing market share from your competitors. How do you do that? By providing a value package at the lowest total cost.

The sad truth is that not everyone will survive. And many of the issues distributors cite, like the shrinking of the industrial base, are not new. Everyone knew that a shakeout was coming. But nobody predicted the end of the Cold War. The reality: If you think that the last five years brought change to the industry, stay tuned.

While it's not the complete answer to your business challenges, this year's *Survey* provides the best available snapshot into the minds of your colleagues. Read this article carefully. And if you thirst for more information, contact us at our Newton offices. The Editors of **ID** firmly believe that there are vast opportunities for industrial distributors who manage change. Having the foresight to empower your employees is a decision that comes from the heart. We can't make that one for you. But with the aid of the *Survey*, we can help you determine how your company measures up against the competition. It's time you knew.

Between the recession and the ongoing credit crunch, it's safe to say that merger mania didn't return to the distributor marketplace in 1991. Compared with 1988, when 56% reported being approached with an acquisition offer, 1991's 22% number is tame.

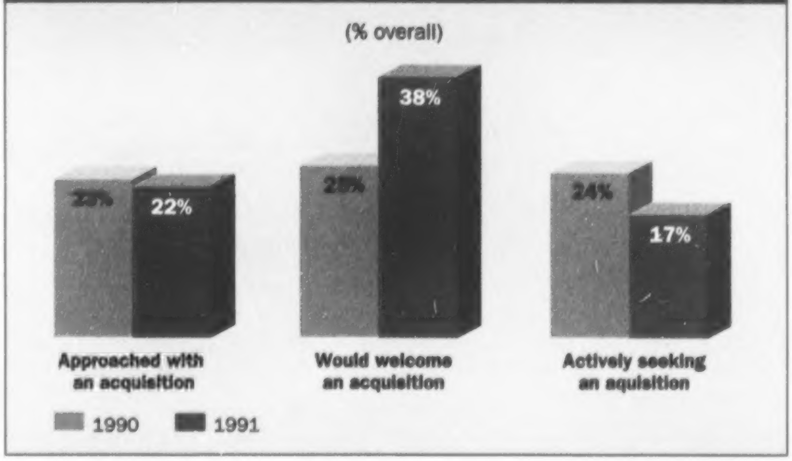
As you review the data for 1991, you'll find that while fewer distributors were approached with an acquisition offer, an astounding 38% say they'd welcome an offer. On top of that, 39% of the $1-4.99 million houses would welcome an offer, and 41% of the <$1 million firms say they are looking to sell.

But although nearly 40% say they would like to sell, they would only do so if they could get a premium price for their company. One Denver-based distributor says that most distributors believe that their businesses are worth more than what's on the books. But if distributors continue to report slim profits, what can they reasonably expect from the bankers when it comes time to sell?

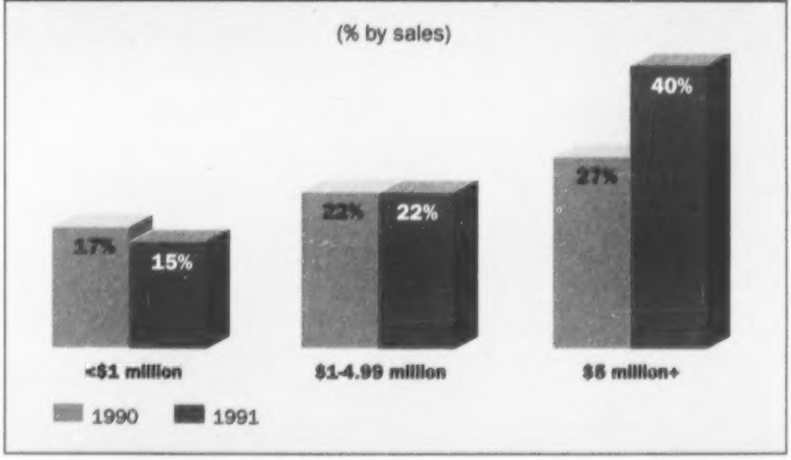
The issue of distributors approached with an acquisition is also worth a closer look. While the number of those approached with an offer remained flat, what's really interesting is that 40% of the $5 million + houses were approached with an offer. This is up from 27% the year before. Compared with the 22% approached in the $1-4.99 million category and the 15% approached in the <$1 million category, it's clear that the buyers are interested in larger companies. Why? To gain market share. In fact, one Midwest distributor said he would only buy a smaller house if it operated in a sales territory he was interested in.

But if only 17% of those surveyed are looking to acquire another distributor, who's got the money? Answer: Overseas investors looking for a U.S. beachhead, and large firms already in the industry like Grainger. There are also U.S. investors looking to buy distributors. These investor groups believe that by hiring professional managers and applying new technology, they can run a chain of distributorships profitably.

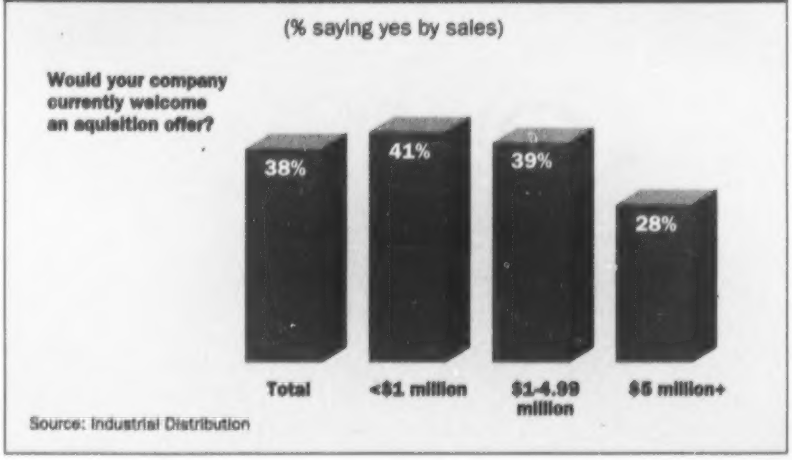
ACQUISITION ACTIVITY IN 1990/91



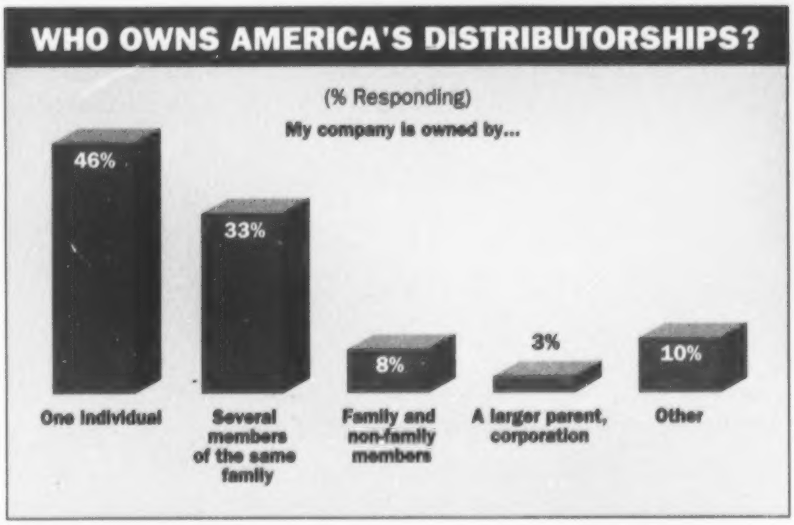
APPROACHED WITH AN ACQUISITION

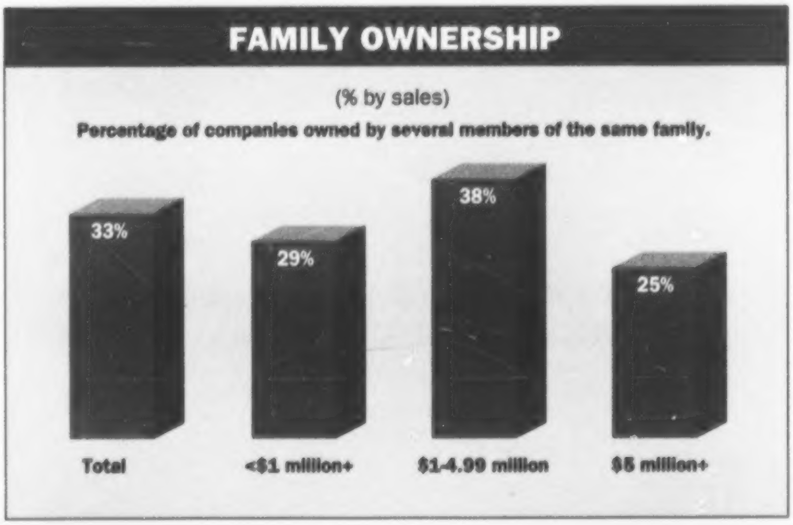


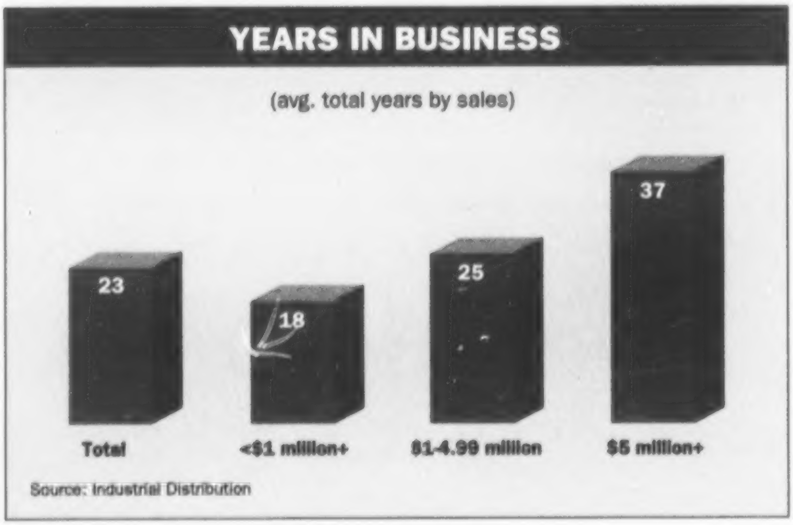
ARE YOU LOOKING TO SELL?



Source: Industrial Distribution


WHO OWNS AMERICA'S DISTRIBUTORSHIPS?


FAMILY OWNERSHIP


YEARS IN BUSINESS

Source: Industrial Distribution

Grainger, Sun and numerous other investment groups might have heady plans for the future. But until a lot more money changes hands, distribution will continue to remain an industry of closely-held, family-owned companies.

This assessment is backed up by the *Survey*, which found that nearly 88% of the companies polled are either owned by one individual, by several members of the same family, or owned by both family and non-family members.

The breakdown goes like this: About 46% are owned by one individual; 33% are owned by several members of the same family; and slightly more than 8% are owned by family and non-family members.

When you analyze the numbers by sales volume, it's clear that family-owned businesses dominate this industry, particularly the smaller houses. For example, slightly more than 54% of the <$1 million firms are owned by one individual, and 43% of the $1-4.99 million companies are owned by one person. But only 20% of the $5 million+ houses are owned by one individual.

What's not a surprise is that the smaller companies tend not to be owned by a parent corporation. While only about 2.5% of the <$1 million houses and slightly under 1% of the $1-4.99 firms were owned by a parent company, almost 8% of the $5 million+ houses were owned by a conglomerate. Experts keep telling us this will change, but the numbers say something different. The question remains: If distribution is so unprofitable, why do so many of them exist? In some ways, the scenario doesn't make sense.

One explanation is that some of these companies have been in business several years. While the average age of our group is 23 years, the $5 million+ firms have been in business an average of 37 years. The reality: Even with deep pockets, it's tough to knock off a competitor who has been calling on the same customers for 30 years. If you're not sure, ask Grainger and Kennametal about some of their experiences.

HEALTH CARE

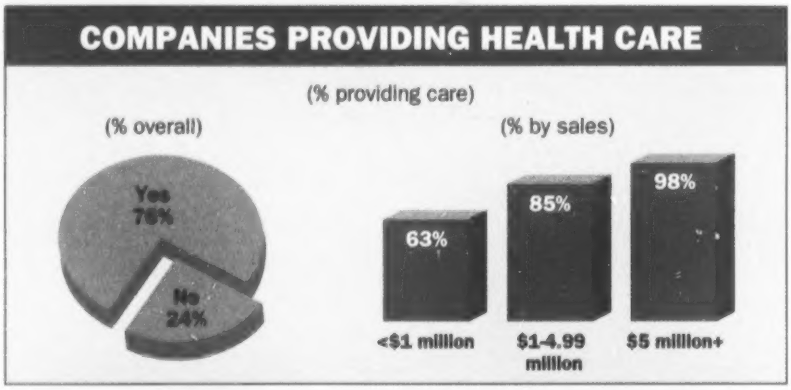
Health care is an issue that won't go away. Costs keep rising. And there's an unsavory sense that an adequate solution simply doesn't exist. Distributors have felt the pinch in a big way. On average, health costs increased 19% for distributors last year. This follows a jump of slightly more than 18% the year before.

And in interviews with distributors across the U.S., it's clear that the data is accurate: Bob Bartholomew, president of Herlache Industrial in Green Bay, Wis., reports that his health costs jumped 25% a year for the last three years. Jay Abbott, president of M.L. Foss in Denver, Colo., adds that his costs have risen 52% during the same period. And John Moore, president of Tulsa, Okla.'s, Duncan Equipment Co., says his health care costs jumped a whopping 62% since January 1990.

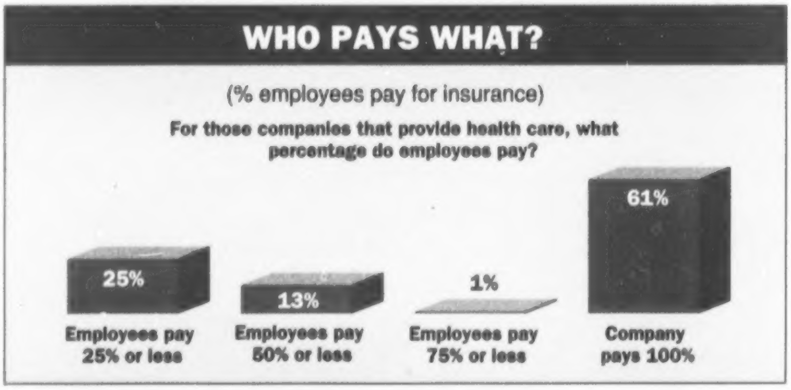
Faced with staggering price increases, distributors are responding. According to the *Survey*, 32% asked employees to pay a greater percentage of their health care package last year, 8% changed suppliers and another 6% increased deductions.

What does this say? It says that despite rising costs, distributors have bent over backwards to provide their employees with adequate health insurance. In fact, one distributor in the Nashville area says he wants the same quality health care for his employees as he has for his family. We're convinced that most distributors feel the same way. In fact, 76% provide their employees with health insurance. And 61% pay 100% of the cost.

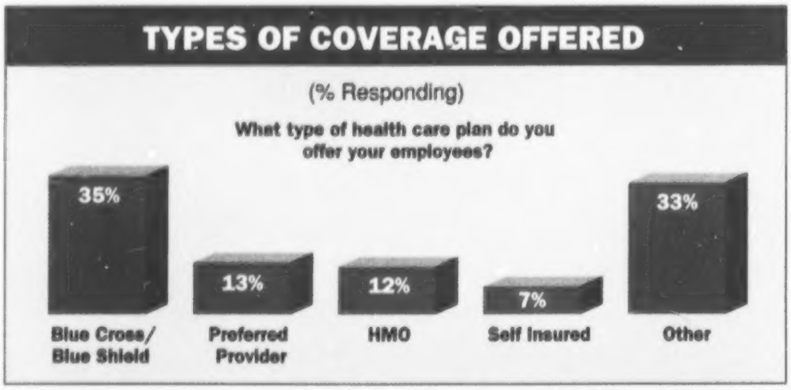
Distributors clearly have some strong feelings on the health care issue. Despite a long tradition of conservative politics, almost 39% say they would support national health care. Broken down by sales, about 50% of the <$1 million houses support national care, and 31% of the $1-4.99 million firms say they'd support national health care. Only 20% of the $5 million+ firms support nationalized care.



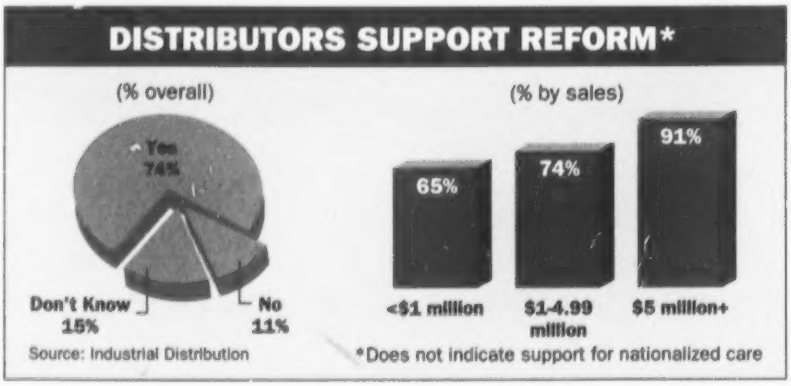
COMPANIES PROVIDING HEALTH CARE



WHO PAYS WHAT?



TYPES OF COVERAGE OFFERED



DISTRIBUTORS SUPPORT REFORM*

Source: Industrial Distribution

*Does not indicate support for nationalized care

Distributors must grasp one simple fact: In an era of vendor reduction programs at many end users across the U.S., those distributors who write their purchase orders and quotations out by hand don't stand a chance.

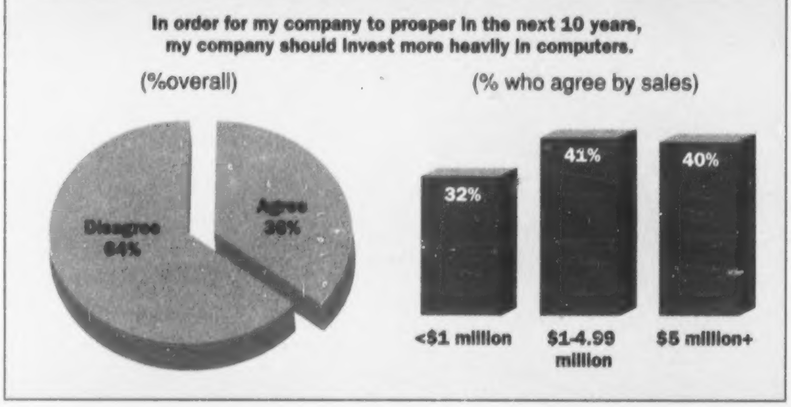
While many distributors have taken advantage of computers, the view of the group as a whole is distressing. When asked if they needed to invest more heavily in computers during the next 10 years, 64% said no. Analyzed by sales, this means that only 40% of the $5 million+ houses agree that investing more heavily in computers is the way to go; 41% of the $1-4.99 houses say they must invest more of their resources in computers; and just 32% of the <$1 million firms believe investing in computers is necessary for survival.

While these numbers may raise a few eyebrows, the real startling number is the relatively low percentage of distributors using computers, particularly at the smaller houses. Only 78% say their companies are computerized. Broken down by sales, 67% of the <$1 million distributorships are computerized; 81% of the $1-4.99 million companies have computers; and 100% of the $5 million+ companies use computers.

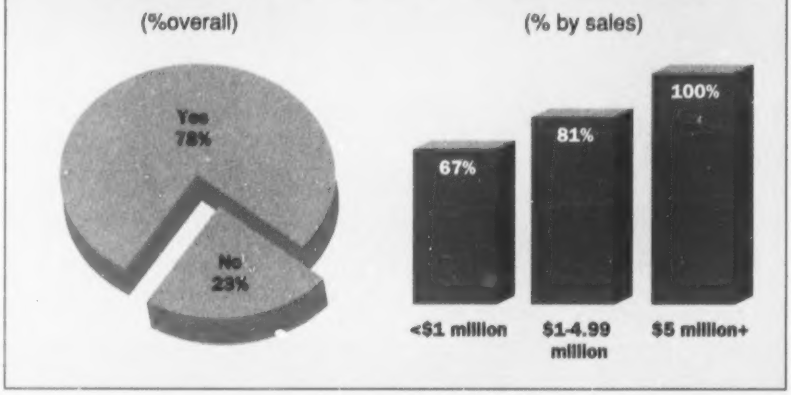
When asked what they use computers for, the bulk of respondents say they conduct accounting and payroll functions. Some samples: 94% use computers for accounts receivable; 88% for accounts payable; 83% have computers handle invoicing; and 82% use computers for inventory management.

Digging deeper into the *Survey*, slightly more than 61% use minicomputers, and about 32% have mainframes. In addition, the distributors who use computers clearly haven't missed the personal computer revolution. According to the *Survey*, 72% of those who use computers operate their facilities with PCs. And the PCs are doing a wide variety of tasks: Almost 56% use PCs for promotional materials; 53% use them to mail labels; 50% have them generate documents; and 48% use PCs for direct mail programs.

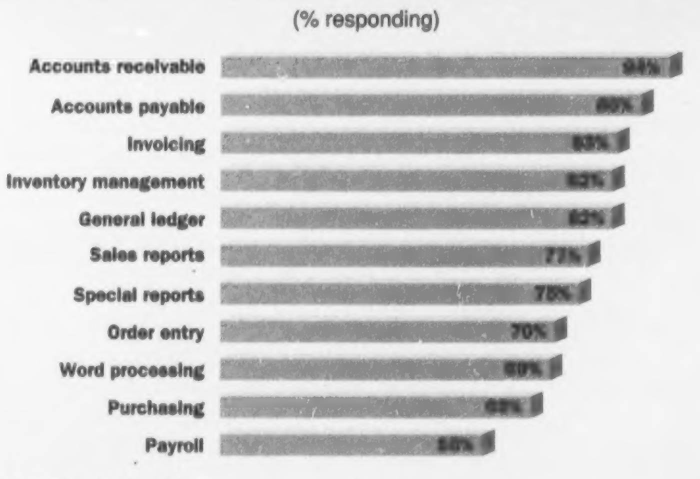
VIEW OF DATA PROCESSING



COMPUTER USE



WHAT DISTRIBUTORS USE COMPUTERS FOR



Source: Industrial Distribution

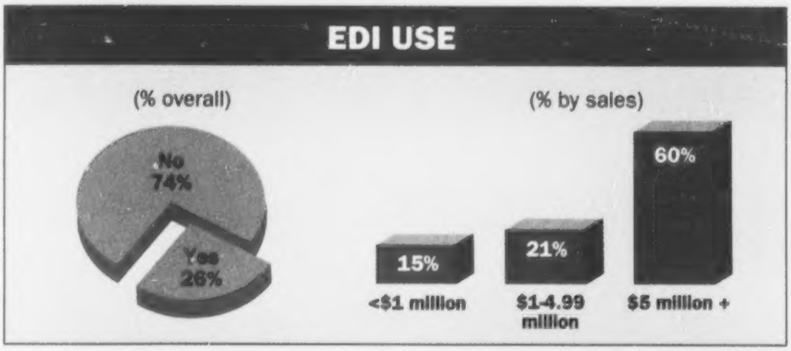
INDUSTRIAL DISTRIBUTION

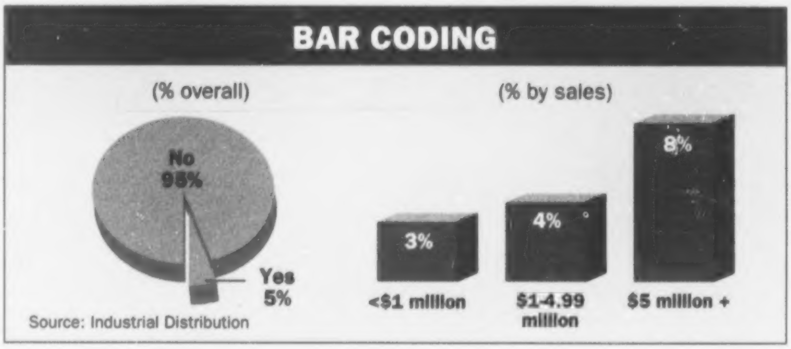
COMPUTERS

For computer buffs, the most distressing finding of the *Survey* is that distributors are still light years away from fully implementing EDI and bar coding.

According to the *Survey*, only 26% currently use EDI. And just 5% have implemented bar coding. But there's a stat that should scare the pants off the smaller houses. Nearly 60% of the $5 million + firms use EDI. Compare that with the 21% of the $1-4.99 million houses using EDI and the 15% of the <$1 million houses running EDI, and it's not hard to figure out who's in a stronger position.

When asked if their customers require them to implement EDI, more than 60% said yes. But based on the *Survey's* results, distributors are still holding back until their customers force them to modernize.





Source: Industrial Distribution

INDUSTRIAL DISTRIBUTION

SURVEY INFO.

Important Facts About the Survey

Methodology

The data for this year's *Survey* was compiled by a research group hired by **ID**. Taking their lead from a questionnaire compiled by the Editors, the researchers conducted 403 telephone interviews, 201 with general liners, and 202 with specialty houses. The list included distributors from almost every segment of the industry, and every size and type. Companies were selected randomly from the magazine's subscription list.

Distributor types are defined as follows: Generalist (49.9%)—no one product category contributes 50% or more to total sales; and Specialty House (50.1%)—more than 50% of total sales comes from one major product category. We left out Combination Houses this year because we felt that general line and specialty distributorships were a more accurate reflection of our readership. Cahners Research estimates the *Survey's* margin of error as ±5%.

Medians and averages

Typically, the magazine article on the *Survey* reports data in both medians and averages. But for the sake of consistency, and because we believe the averages genuinely reflect industry performance, all of the information reported in this article are averages. The average is the sum of one group divided by its total number of respondents. Those interested in Median responses should order the full survey. Medians define the midpoint in a statistical range—half of any group will be larger than the median, and half smaller. Medians are generally used on open-ended questions, are often more representative of a group, and are less distorted by extremes.

How to order the Survey

The *46th Annual Survey of Distributor Operations* is a 100 + page report containing original statistics on general line and specialty industrial distributors. Operations are measured by type of firm, sales size, and by six geographic regions. Its contents are divided by sales and profits, gross margins, management, personnel, computers, and inventory and receivables. A special health care section is also included this year. The *Survey* costs $195 pre-paid. This price includes postage. Send your check to Diane Doucette, **ID**, P.O. Box 37, Boston, Mass. 02258, or call (617) 558-4346.

For reprint information, contact Katie Pyziak at (708) 390-2236.

By Susan E. Farris

Recovery has finally arrived

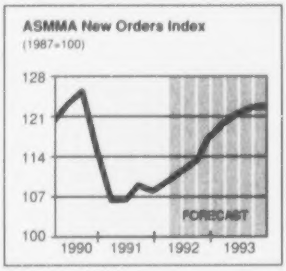
Consumer durable goods will be one of the hottest markets in 1992.

In April, total industrial production posted the third straight month of growth, expanding 0.5%. It is clear from these gains in output that the economy is managing to sustain a recovery, albeit a very modest one. Industrial production is forecast to increase 2.5% in 1992. With both consumer spending and income levels higher relative to year-ago figures, rising demand for consumer durable goods is providing much of the strength in the economy. Consumer goods tend to be sensitive to interest rates, and therefore are among the first sectors to recover in an economic expansion. Industrial distributors can look forward to strong performances from their automotive, light truck and appliance end markets for the next two years.

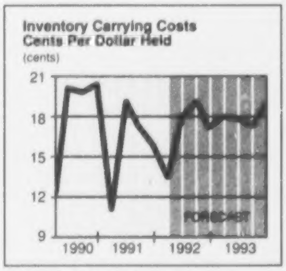
The auto industry, which has been plagued by weak demand for the past 3 years, is poised for a rebound in 1992. Last year sales of U.S. autos plunged 11%. While sales have been steadily rising since the beginning of 1992 on a year-to-date basis, sales are trailing by 7.4%. Auto production surged 4.1% during the month of April alone, indicating that automakers are gearing up in anticipation of a rebound in demand later this year. Sales of domestic autos are projected to grow 4.2% in 1992, which translates to some 6.4 million cars. The outlook calls for 1993 sales to rise 7.5%, the strongest growth since 1988.

Sales of light trucks have been growing faster than those for cars, and are in fact partly displacing demand for autos. As of the first quarter of 1992, light truck sales were trailing year-ago levels by just 0.7%. This compares to first quarter auto sales which were still considerably lower than they were a year ago. The forecast calls for sales of light trucks to surge 12% in 1992 and a further 13.6% by 1993. The light truck segment is approximately two-thirds the size of the auto market.

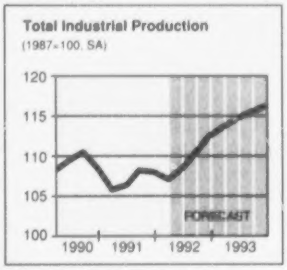
Major home appliance sales rose 0.5% over year-ago levels during the first quarter of 1992. Much of the demand is from the surge in housing starts, though growing consumer income, lower interest rates and pent-up demand are other factors behind the strong sales. The outlook for the appliance sector is good: Sales are forecast to increase 7.2% this year and 4.8% in 1993.



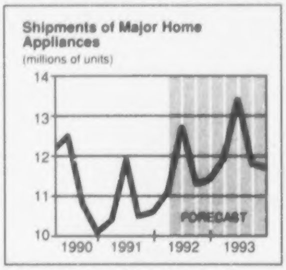
Data source: ASMMA
Forecast source: Cahners Economics



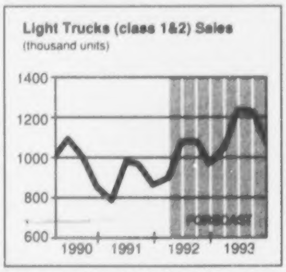
Data source: Cahners Economics
Forecast source: Cahners Economics



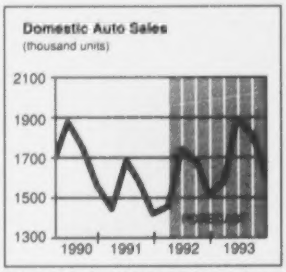
Data source: Federal Reserve Board
Forecast source: Cahners Economics



Data source: Assn. of Home Appliance Mfrs.
Forecast source: Cahners Economics



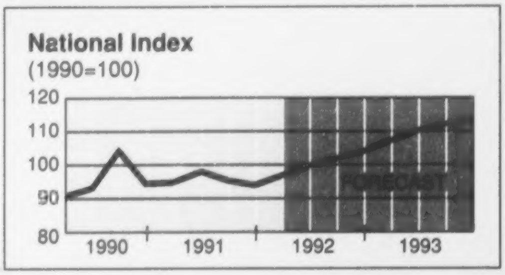
Data source: Motor Vehicle Manufacturers Assn.
Forecast source: Cahners Economics



Data source: Motor Vehicle Manufacturers Assn.
Forecast source: Cahners Economics

I.D.A. REPORT

SALES (1990=100)	Apr. 1992	Mar. 1992	Apr. '92 vs. Apr. '91 % change
TOTAL	100.0	102.1	+2.5
EAST	95.9	100.4	−1.6
SOUTH	110.4	106.4	+13.9
CENTRAL	98.2	103.2	−1.2
WEST	92.6	95.4	−5.9



SOURCE: Industrial Distribution Assn.

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INDUSTRIAL DISTRIBUTION®

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

SPECIAL
Computer Update
p. 35

Take your products to new heights PAGE 22

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BUY
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NAIL HANDLER.
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26 Powerful packages attract tool buyers
Suppliers match the tool to the market, and highlighting pro-type features wins long-term customer loyalty.

29 Distribution's Wonder Woman
Terry Combs likes to be involved so much that she buys, receives, manages inventory, sells, negotiates contracts, and ships—all day, every day.

35 Micro muscle delivers mega power
Current chip and software technologies help even the smallest distributor compute like the big guys do.

40 9 steps to bar code competence
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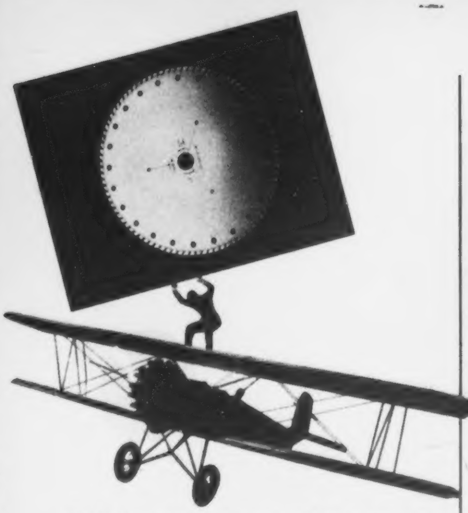
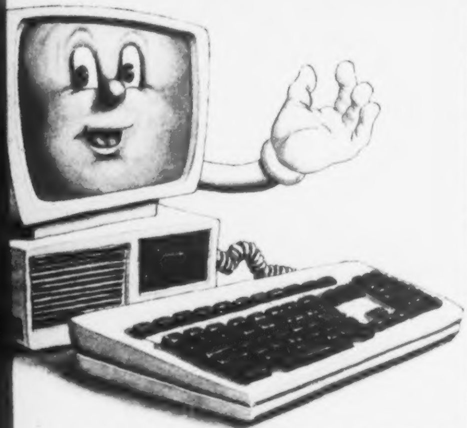


Marketing savvy helps new products soar successfully.—p. 22

A Jacqueline of all trades, Terry Combs redefines the term "multi-tasking."—p. 29



Micros give you heavy-duty computing without busting your budget.—p. 35

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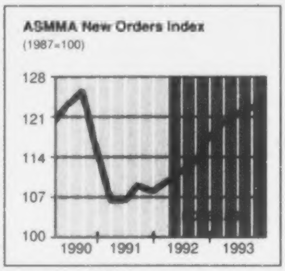
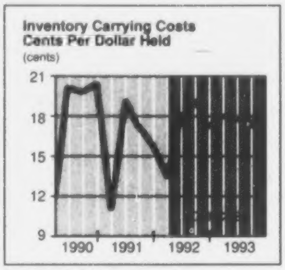
By Susan E. Farris

Re-stocking to fuel expansion

Inventories have fallen recently in the face of rising demand.


ASMMA New Orders Index
(1987=100)

Data source: ASMMA
Forecast source: Cahners Economics

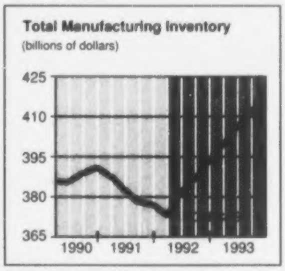

Inventory Carrying Costs
Cents Per Dollar Held
(cents)

Data source: Cahners Economics
Forecast source: Cahners Economics

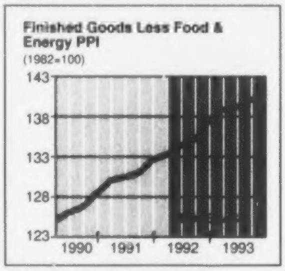
The surge in housing starts at the beginning of the year has resulted in strong demand for home appliances, construction supplies and building materials; and consumer spending, particularly on new cars, furniture and computers, remains robust in the early stages of the recovery. As a result, April year-to-date manufacturing orders are 4.6%, and ASMMA's new order index is 4.2%, ahead of same period '91 levels. Orders tend to turn early in a recovery, so their upturn bodes well for the economy as a whole. Expect total manufacturing orders to rise 5.3% this year, which translates to almost $3.0 trillion, a considerable portion of GDP. Throughout 1993, orders will grow at a more moderate pace, rising 3.6% for the year.

Much of this sharp increase in demand has been supplied out of manufacturing inventories, which were running high at the start of 1992. Inventory overhang has since been eliminated as a result. Any new orders will now translate directly into industrial production gains. With April inventories 3% below year-ago levels and expected to increase just 0.7% for 1992, inventory build-up will help to bolster the economic recovery. This will be especially true in 1993 when inventories are forecast to grow 6.3%. The manufacturing inventory shipment ratio (I/S) has been hovering around 1.5 for the last three months and is expected to remain at this level through the end of the year. This is one of the lowest I/S ratios ever. As inventories are built back up, expect the I/S ratio to creep up to 1.6 in 1993.

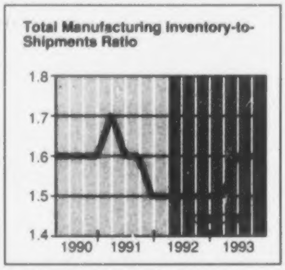
While inventory build-up is beneficial to the economy as a whole, other economic factors work to increase the cost of holding stocks. Inventory carrying costs dropped to 11.8 cents per dollar held in April, a 4 cent decrease from March. However, the forecast calls for low inflation coupled with higher interest rates this year, a combination that promises to increase the cost of holding goods in inventory. Expect inventory carrying costs to average 16.9 cents in 1992. Although both inflation and interest rates will rise somewhat next year, the increases are expected to be moderate. Accordingly, as we enter 1993, inventory costs will average out at around 18% of the value of goods held.


Total Manufacturing Inventory
(billions of dollars)

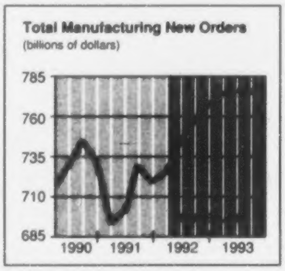
Data source: Department of Commerce
Forecast source: Cahners Economics


Finished Goods Less Food & Energy PPI
(1982=100)

Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics


Total Manufacturing Inventory-to-Shipments Ratio

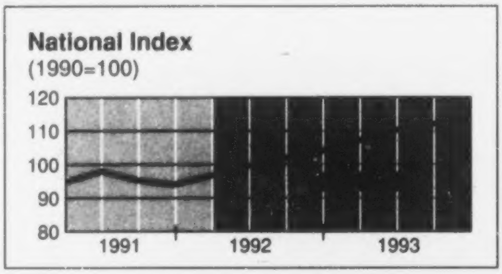
Data source: Department of Commerce
Forecast source: Cahners Economics


Total Manufacturing New Orders
(billions of dollars)

Data source: Department of Commerce
Forecast source: Cahners Economics

I.D.A. REPORT

SALES (1990=100)	May 1992	Apr. 1992	May '92 vs. May '91 % change
TOTAL	96.5	100.0	−3.3
EAST	92.8	95.9	−6.4
SOUTH	102.2	110.4	+1.3
CENTRAL	97.3	98.2	−2.7
WEST	90.7	92.6	−8.3



SOURCE: Industrial Distribution Assn.

SEPT. 1
1992

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INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

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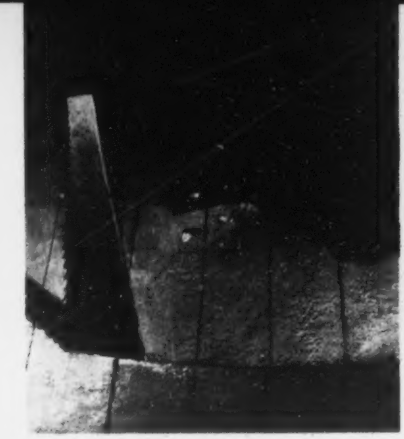
Nominate 25 top small distributors p. 49

Mass merchants undercut your selling efforts
PAGE 14

Third lines carry first-rate margins
p. 20

Sales numbers can blind you
p. 33

Business basics keep McKee-Pitts healthy
p. 27



Mass merchants are cutting into your sales, but here's how you can fight back.—p. 14

ALL PUR
LUBRICA

The key to increased profit could be through selling tertiary lines.—p. 20

Bill Pitts finds success in conducting business the old fashioned way.—p. 27

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20 Unlock tertiary power
Don't be fooled. Tertiary products are anything but add-ons. ID tells you how to translate your tertiary lines into bottom-line profit makers.

27 Good ol' fashioned business
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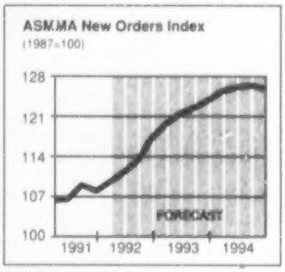
By Susan E. Farris

Electronic component orders up

Expect these strong gains to carry over into the manufacturing sector.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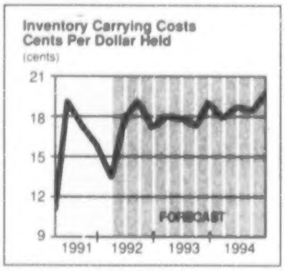
Forecast source: Cahners Economics


Inventory Carrying Costs Cents Per Dollar Held
(cents)

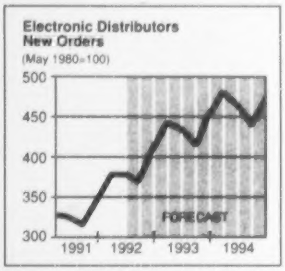
Data source: Cahners Economics
Forecast source: Cahners Economics

Reports that the nation's largest electronic distributors would see languid growth in shipments and orders last year did not come true. Unlike previous recessions when electronic distributors experienced severe declines, they weathered this past recession. Last year, orders and shipments placed through distributors rose 4.7 and 4.3% respectively. Even more encouraging news came from Cahners Publishing's survey of the top 100 electronic distributors. According to the survey, sales by the top 100 distributors increased 11.8%, from $8.5 billion in 1990 to $9.5 billion in 1991.

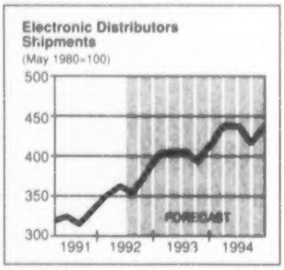
This year started off with a bang. According to data from the National Electronic Distributors Assn. (NEDA), new orders surged an estimated 15.6% in the first half of 1992 above the previous year's level, the biggest increase over a siz-month reporting period since 1990. Distributor orders are forecast to rise 16.7% in 1992 and a further 13.5% by 1993. Electronic distributors' shipments also rose in the first six months of 1992, albeit at a more modest 10.7% growth rate. Expect shipments to rise 12% on average both this year and next.

This robust growth did not come as a surprise. More often than not, distributors see stronger gains during an expansionary period than manufacturers do. While first-half 1992 orders for electronic components are trailing the year-ago level by 1.1%, they are expected to post growth of 3.1% for the year. By 1993 look for orders of components to surge 10.5%. Electronic component sales are expected to enjoy increases of 5.1 and 11.5% in 1992 and 1993, respectively. This will translate into solid growth for electronic distributors.

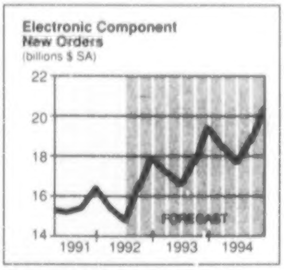
Although buying directly from a manufacturer may have a price advantage, distributors offer services buyers cannot receive from the manufacturer. Electronic distributors providing greater flexibility in scheduling and technical support will be the survivors in the 1990s. For electronic component and equipment manufacturers, the distributor data are more than just eye-opening. Distributors are a leading indicator for the rest of the electronic industry, so start preparing for the next recovery.


Electronic Distributors New Orders
(May 1980=100)

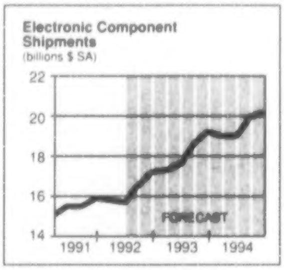
Data source: National Electronic Distributor Assn
Forecast source: Cahners Economics


Electronic Distributors Shipments
(May 1980=100)

Data source: National Electronic Distributor Assn
Forecast source: Cahners Economics


Electronic Component New Orders
(billions $ SA)

Data source: Department of Commerce
Forecast source: Cahners Economics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(billions $ SA)

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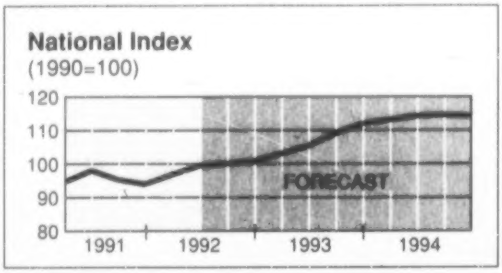
SOUTH	107.7	102.2	+6.7
CENTRAL	102.1	97.3	+16.1
WEST	98.6	90.7	+7.2



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Bearings, Inc. extends its reach PAGE 36

Northeast outlook: Slight growth ahead
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Five showrooms that work
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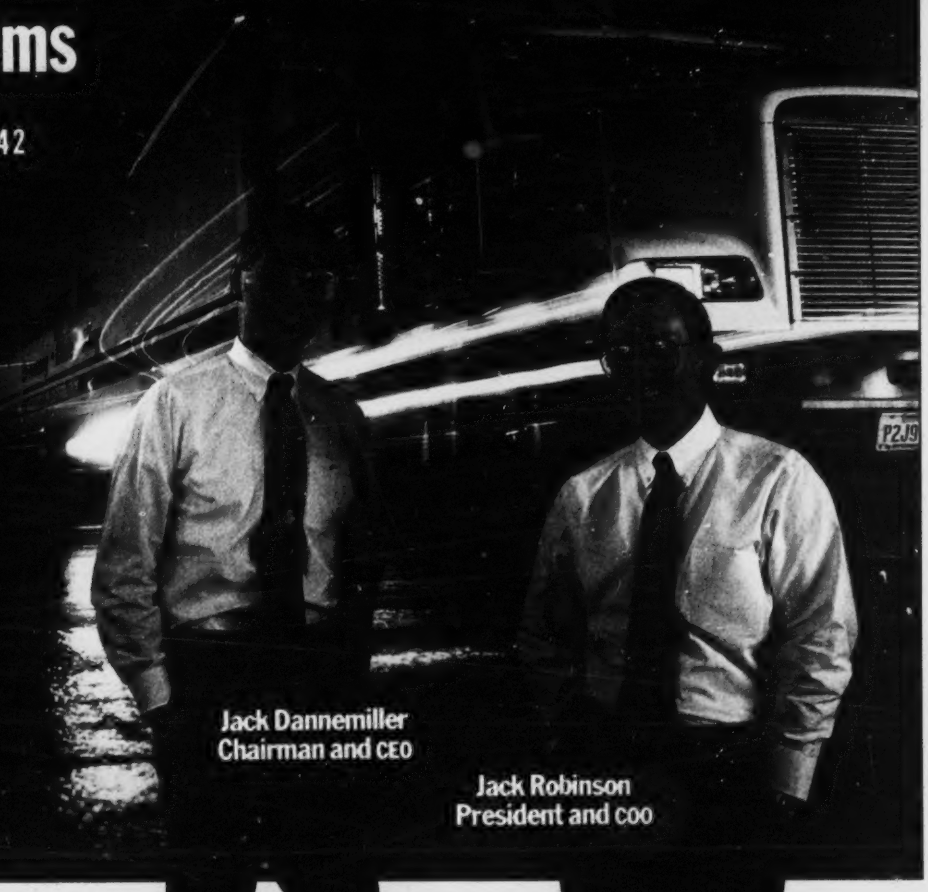

Jack Dannemiller
Chairman and CEO

Jack Robinson
President and COO

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Vol 81, No. 13
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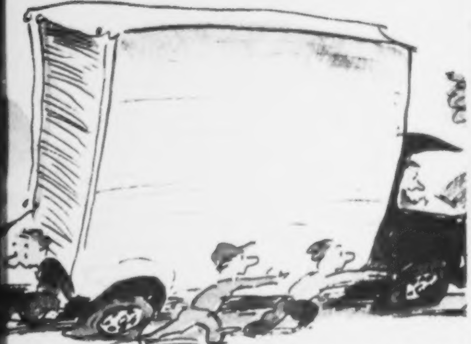

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The Northeast economy has been down for so long there's no way to go but up. In a series of interviews, distributors and manufacturers see signs that a slight rebound may finally be underway.

36 Bearings, Inc. pursues "best practice" processes
Bearings, Inc. the giant bearings, power transmission and motion control distributor, is ready to meet the demands of a changing marketplace. BI is pursuing a "total system" attitude in its internal and external operations and it's paying off for the 311-branch distributorship.

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In this exclusive report, ID details how an effectively designed showroom improves your bottom line performance. We visit five showrooms in the U.S. and Canada and tell what makes them stand out.

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supplies. J&L will have five branches.

Kennametal Full Service Supply, headquartered in Raleigh, N.C. and operating 35 branches nationwide, will be responsible for just-in-time buying, inventorying and delivering all items used by a customer in predefined commodity categories. These categories are said to include all cutting tools and abrasives, regardless of whether or not Kennametal represents a given brand in other aspects of its business.

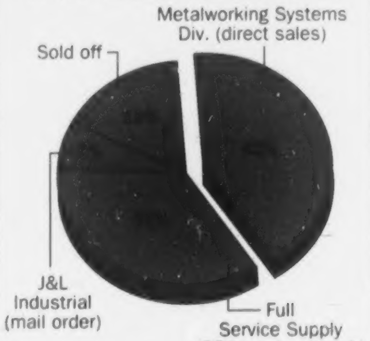
Essentially, Kennemetal's Full Service Supply represents what remains of Garrett after the elimination of power transmission, electronic, fluid power, materials handling, fastener, and PVF inventories.

Metalworking Systems Div. is now the name under which Kennametal's direct sales efforts are conducted. This division is said to employ over 300 technical sales reps, and to have 14 stocking facilities nationwide to provide 24-hour delivery of most products.

Alan G. Ringler, vice president and director, North American Metalworking, projects that in fiscal year '93, 70% of Kennametal sales will come from the direct sales force. He also reports that "cornerstone suppliers" of industrial supply products include 3M, Cincinnati Milacron, Precision Twist Drill, Regal Beloit, Carr Lane Starrett, Mitutoyo, Osborn, and privately labeled tools from SGS. ID

WHERE HAS GARRETT GONE?

Projected sales volume: $70 million



Source: Kennametal, Inc.

Although Kennametal has retained nearly 85% of Garrett Industrial, 42% of that business now goes through direct/mail order channels.

DISC to sell IBM'S RS/6000 machines

FARMINGTON, CONN.—In response to customer demands for turnkey convenience, and to assure that software updates get smoothly integrated into hardware advances, DISC, a longtime supplier of distribution management systems, has begun selling IBM RISC System 6000 computers.

"For 20 years we've opposed selling hardware," says John D. Pearse, DISC president. "But the emergence of open systems almost dictates that software people get into hardware. Also, we can now add serious value that we couldn't get paid for previously."

Pearse also reports that the DISC/IBM agreement calls for IBM to custom-assemble all machines. "IBM delivers within a couple of weeks," he explains, "so there's no need for us to stock units at this time. Customers like the arrangement because the all-IBM box means local system and repair support."

DISC's status as an industry remarketer formalizes what has been an ongoing relationship. "We've been running our software on the RS/6000 for over two years," Pearse says. And to take advantage of the horsepower that comes standard with the 6000, DISC has upgraded its products. In addition to an Advanced Inventory Management package, the firm now offers Optical Report Storage, an Intelligent Query (IQ) Report Writer and AIX versions of *Lotus 1-2-3* and *WordPerfect.*

An additional benefit of the partnership, according to Pearse, is that existing DISC customers will be able to upgrade to an integrated hardware system over a weekend—it's that quick. "We've never left a customer behind," Pearse explains. "And we've never migrated to a new system without ensuring that our existing users could come with us." ID

Conbraco wins ISO Kudos

MATTHEWS, N.C.—Is the Baldrige Award next? The folks at Conbraco Industries, Inc., in Matthews, N.C., would like to think so. But for now the firm is savoring the fact that it recently became the first major United States-owned valve and flow control product manufacturer to earn ISO 9001 certification.

"We're looking at other kinds of standards we can use, and the Baldrige is one of them," says Dave Sowers, Conbraco's director of quality assurance. "I don't think it's out of the picture."

The ISO 9000 Series is a set of five individual standards relating to quality management and quality assurance. ISO 9001 is the most demanding subset to achieve, as it covers design, manufacturing, installation, and servicing systems. ISO certification is frequently required to compete in European markets as well as Great Britain, Canada and Australia.

"Its impact is in marketing mostly," says Sowers. "It can really open some doors. Plus, it has improved our process, and it means that our customers will be assured that our quality standards and procedures are at the highest level possible."

All five of Conbraco's manufacturing facilities received certification as a result of the quality program that began 18 months ago. The company employs 1,400 workers and has annual sales of $130 million. ID

Sales calls expensive but still effective

NEWTON, MASS.—Are your salespeople worth their weight in gold? With the cost of a sales call continually on the rise, you should consider that question carefully.

According to Cahners Advertising Research Report published by Cahners Economics, the industry average for a sales call in the United States is $292. That's a considerable jump, up 12.7% from 1989's figure of $259.

See Sales calls p. 12

Industry from p. 10

ing it easier for businesses to compete. "Our concerns relative to manufacturing are in the business climate," he said. "We're concerned about trade agreements and tariffs, and about tax ramifications. We're not in favor of increasing the tax rate for business. Everyone is waiting to see what happens with the recent disability act. These are issues that could make or break an organization's ability to compete in the global market."

Health care is a concern of almost everyone, but it's an issue that doesn't seem to have a clear cut solution. Some distributors support a national health system. Others feel that although a national program is needed, the government should not be the sponsor of such a venture.

The issue of taxes is another touchy subject. "It's not a good time to lower taxes, but we should be looking in that area," said Bill Lanigan, president of Chamberlin Rubber Co., Inc., in Rochester, N.Y.

On the other side of the fence is Kevin Boyle, manager of industrial distribution for Loctite Corp., Newington., Conn. Among Boyle's top concerns are economic solutions to reduce the deficit, and "taxation that nobody wants, but that we know we need," in order to continue providing key government funding. Boyle also feels that a return to family values is important, and that the Church and State must remain separate. "Women should have the right to choose," Boyle said. "The Church and State have to mind their own business."

Among the other issues are restoring credibility and respect to the White House. "The issue seems to be the credibility of the candidates more than anything else, and that's clouding the real issues," said Jim Lindstrom, director of marketing for Lyon Metal Products, Inc., Aurora, Ill. "People are concerned about the promises being made by the candidates, and the reality of what happens after."

Perhaps Bermann hit the nail on the head when he said the long term, strategic issue most important to him is fixing the political system "so that we don't get two candidates, each of whom is unacceptable. We need to change the process so that we don't go into the voting booth and wonder where the 'None of the Above' lever is." ID

Sales calls from p. 11

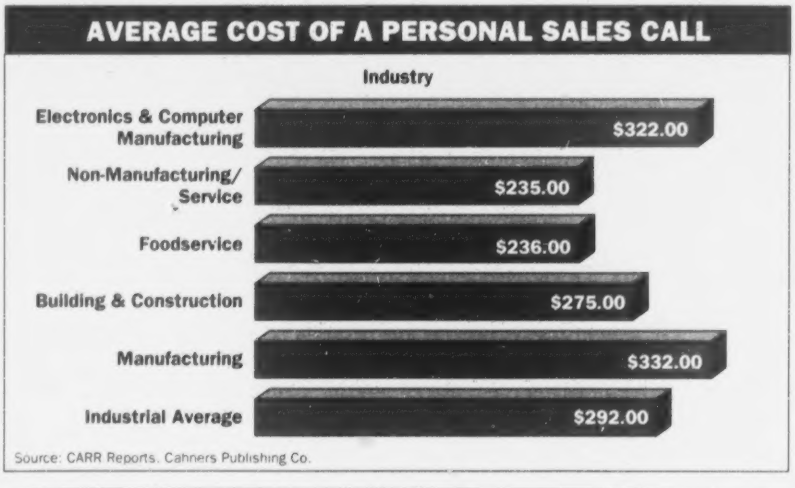
The report states that the South is the most costly region, with 1992 expenses related to sales calls totalling $330.46 per call, a 19% increase. Expenses jumped 21% in the Northeast, where the average sales call costs $307.53. The Midwest ($261.65) and West ($263.22) both came in below the industry average, with costs dropping 5% in the West.

The average sales call was most expensive in the manufacturing sector, at $332 per call. At $275, the building and construction industry was comparably low.

Jeff Black, president and treasurer of Black & Co. in Decatur, Ill., says, "That wouldn't surprise me. We monitor all our salespeople and the costs are radically high."

However, Black notes, the cost of an outside sales call is apparently worth it. "From what we've found, there's nothing that achieves better results at less cost. Telemarketing and direct mail just don't deliver the same results that human contact does," he says. "We've done some direct mail and received very low response rates. When you compute those returns versus the return on an average sales call, the outside call is still more cost efficient—despite the outrageous cost."

The survey considered a host of expenditures, including salary, benefits and commission of the direct sales staff, as well as travel expenses and the cost of promotional materials and samples taken on each individual sales call. ID



Source: CARR Reports. Cahners Publishing Co.

SEDA focuses on I.D.A. venture

Richard Harper, newly elected SEDA president, addresses convention in Maui.

MAUI—The Safety Equipment Distributors Assn. (SEDA) is looking to form a "strategic alliance" with the Industrial Distribution Assn. (I.D.A.), according to SEDA executives.

"We're not necessarily talking about merging, but working together as part of an alliance," David Crannell, outgoing president of SEDA, said at the association's recent annual convention in Maui.

I.D.A. and SEDA have been talking about joining forces for some time. Some SEDA members said they would like I.D.A. to serve as an "umbrella group." In this way, SEDA would be a sub-section of I.D.A. Members would be allowed to attend the various conventions and take advantage of the many programs that I.D.A. offers. At the same time SEDA could also have its own annual convention.

Such a move, officials say, would benefit both associations. I.D.A. said it would welcome SEDA members to

See SEDA p. 15

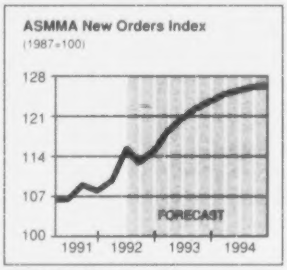
By Susan E. Farris

Prices and leadtimes remain low

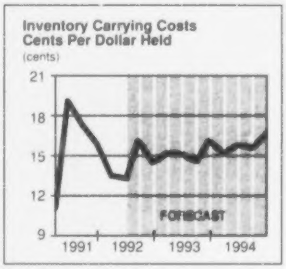
Rises will occur in 1993, and they will be modest.

Leadtimes, the length of time it takes between ordering an item and its arrival, are a good indication of the supply and demand conditions. Leadtimes typically begin to stretch at the start of an economic recovery.

For eleven of the past twelve months, Cahners' Leadtime Index of 125 Industrial Materials has been lower than previous year levels. In August, year-to-date leadtimes are averaged 6% shorter than in the corresponding period in 1991. While the manufacturing slowdown shrank leadtimes drastically in 1991, economic stagnation has caused a further drop in leads in 1992. As a result, expect leadtimes to come in 3.6% lower this year.



Data source: ASMMA
Forecast source: Cahners Economics

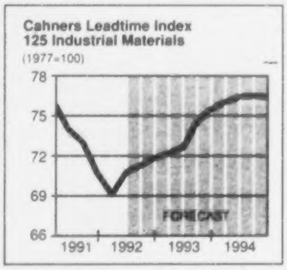


Data source: Cahners Economics
Forecast source: Cahners Economics

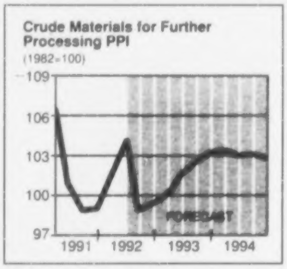
In 1993 the economic expansion will have gained some momentum, causing demand for materials to creep up and operating rates to approach full capacity. Nevertheless, only a modest expansion is expected for 1993, so leads should grow just 4.2% for the year, reverting back to their 1991 levels. Leadtimes tend to lag an economic recovery by approximately three months, which means they will continue to lengthen into early 1994, increasing by 3.5% on average.

The current economic sluggishness has also caused producer price inflation to slow. Capacity utilization rates are still fairly low and demand is modest, leaving producers with little power to put through price increases. The producer price index (PPI) for crude materials through the first half of the year has declined by an annual rate of 1.6%, and the PPI for intermediate goods has fallen by 1.4%. The outcome is that price inflation for finished goods has increased by just 1.5% in the first half of 1992. The forecast calls for prices to continue slowing, growing a mere 1.3% this year. Inflation is expected to reach 3.6% in 1993 and 2.3% in 1994.

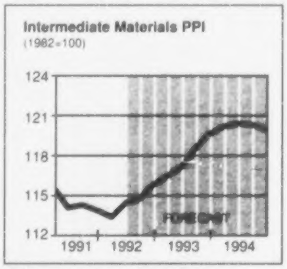
Low inflation increases the cost of holding assets, pushing up inventory carrying costs. However, with interest rates at record lows the net effect will be a 9.4% plunge in inventory carrying costs this year. Slow inflation also raises the real cost of debt, which will in turn discourage consumers from accruing additional debt, inhibiting spending. A low inflation rate will result in a modest economic recovery.



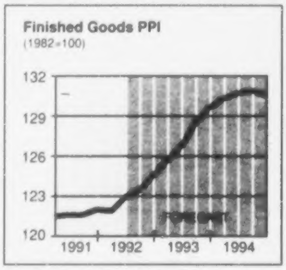
Data source: *Purchasing* Magazine/Cahners Econ.
Forecast source: Cahners Economics



Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics



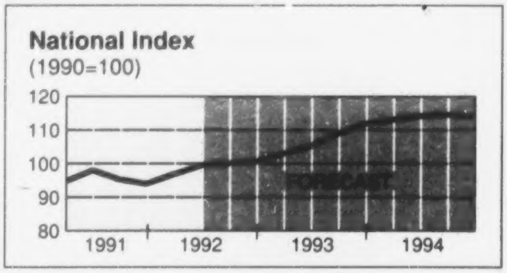
Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics



Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics

I.D.A. REPORT

SALES (1990=100)	July 1992	June 1992	July '92 vs. July '91 % change
TOTAL	94.1	102.2	−1.5
EAST	89.0	98.1	−6.0
SOUTH	97.7	107.7	+0.5
CENTRAL	96.4	102.1	+1.3
WEST	89.7	98.6	−4.6



SOURCE: Industrial Distribution Assn.